the Freeman

Ideas on Liberty

OCTOBER 1969

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Order THE FREEMAN *in Bulk!*

Perhaps you'd like to share these ideas on liberty with friends. Place a standing order for each new issue as it comes off the press.

Here's what some others are doing with orders ranging from 3 to 500 copies a month:

- a doctor keeps a supply in his waiting room.
- a motel operator places a copy in each room.
- a businessman supplies copies to his favorite customers.
- another distributes them to key employees.
- a college business office orders in bulk for staff members.
- teachers use them in class.

Delivered prices for bulk shipments of current issues of **The Freeman:**

3 copies for $1.00
10 copies for 2.50
25 copies for 5.00
15 cents each for advance orders of 100 or more copies a month

- Also, we have extras of many back issues. We'd like to recover mailing and handling costs on those, but for bulk shipments of back issues, if available, you may practically set your own price.

Send your order or inquiry to

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533 Phone (914) 591-7230

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman

VOL. 19, NO. 10 • OCTOBER 1969

The Libertarian Philosophy — Benjamin A. Rogge — 579
Dr. Rogge explains his points of departure from conservatives, modern liberals, and the New Left.

The Great Depression — Hans F. Sennholz — 585
A survey of four distinct phases of the "great depression," with reasons and understanding that may help to avert repetition.

Socialized Airwaves — Jerry Emanuelson — 597
How the principles of private property might help to resolve a knotty problem.

Gold's Dust — Gary North — 599
Gold may well collect dust when properly policing a nation's monetary policies.

Read's Law — Leonard E. Read — 608
"No politician can fly higher in office than he flew while getting there."

The Quiet Revolution — Edmund A. Opitz — 611
"In quietness and in trust shall be your strength." (Isaiah 30:15)

In Doing "One's Own Thing" — Henry Edward Simons — 619
Radically creative, yes, but not radically destructive of traditional ways.

Problem or Opportunity? — Clarence B. Carson — 622
When the garbage business is monopolized by government, how do we know whether a given item is a waste or a resource?

The Anyones — Al Siebert — 629
A poetic plea for constructive differences among men.

Problems the Free Market Can't Solve — Paul L. Poirot — 630
The organized demand of something for nothing is the kind of a problem for which there is no market solution.

Book Reviews: — 636
"Education in America" by George Charles Roche III
"The Man from Monticello: (An Intimate Life of Thomas Jefferson)" by Thomas Fleming

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

LEONARD E. READ *President*, Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount—$5.00 to $10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 10 for $2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Libertarian Philosophy

BENJAMIN A. ROGGE

I INTEND to answer a question that disappointingly few people even bother to ask. The question is this: Just what *is* Ben Rogge's social philosophy? Or, as some have put it: "Rogge, just what kind of a nut are you?"

I suppose one must expect to create both suspicion and confusion when he demands, at one and the same time, that the social security system be abolished, that the laws making it a crime to use marijuana be repealed, along with the laws against child labor, and that we sell Yellowstone Park to the people who operate Disneyland. This is indeed a mixed bag, but it is my very own bag; and to me these apparently diverse elements represent simply different applications of a single guiding principle. This principle is that each man and each woman should be permitted to do his thing, singly or in pairs or in groups as large as the Mormon Church or General Motors, so long as it's peaceful. Or to put it another way: In Rogge's world, the role of the state would be precisely no more and no less than that of the night watchman. In the words of Thoreau, "Government is an expedient by which men would fain succeed in letting one another alone."

Now to the heart of the matter. First, is my social philosophy properly described as one of the competing ideologies of our day? To this the answer is no. In the first place, it is so far out of fashion that it can hardly be said to be competing; secondly, it is thought by many to be not of our

Dr. Rogge is Chairman of the Department of Economics at Wabash College. This article is from a Chapel Talk at the College on April 10, 1969.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

day, but of the last century; and thirdly, I see it as not an ideology at all but rather as the negation of ideology.

I quote now from Webster's *New Collegiate Dictionary:* "IDEOLOGY – the integrated assertions, theories and aims constituting a politico-social program." To me, this identifies the ideologue as someone, be he Christian or Moslem or Marxist or Fascist or Liberal Reformer or Monarchist, who has a clear vision of what man is or should be or could become and who has some kind of socio-political program for bringing about the desired state of affairs. To the ideologue, the ideal social system is to be defined in terms of certain *ends or goals* to be attained, such as the elimination of poverty or the elimination of racial prejudice or the maximizing of the growth rate or the establishment of the one true religion or the dominance of the master race or the implementation of the General Will or the Eternal Glory of the American or the French nation. Usually, but not always, there are certain restraints placed on the means to be used, but the emphasis is always upon the vision of the proper goal of man's existence here on earth, as revealed by voices from burning bushes or by prophets or by the magnificently objective results of science or in the massive and blind forces of history or in the dark and mysterious processes of the human mind or what-have-you.

Look to the Means

To the libertarian, in a certain sense, it is not the *ends* of man's actions that count – only the means used in serving those ends. To each of the ideologues he says: "You may be right and you may keep on trying to convince me and others that you are right but the only means you may use are those of persuasion. You may not impose your vision *by force* on anyone. This means not only that you are not to stone the heretic or the prostitute or the hippie or the college dean or the Jew or the businessman or even the policeman; it means as well, and most importantly, that you are not to get the policeman or the sheriff to do your stoning for you."

In saying this, the libertarian is not necessarily declaring himself to be agnostic in his attitude toward any and all ideologies. He may in fact have some clear preferences as among ideologies. At the same time, men who feel deeply about something are rarely tolerant with respect to that something. I, Ben Rogge, do not use marijuana nor do I approve its use, but I am afraid that if I support laws against its use, some fool will insist on correcting my

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

habits. I believe that the typical Episcopal Church is somewhat higher on the scale of civilization than the snake-handling cults of West Virginia. Frankly, I wouldn't touch even a consecrated reptile with a ten-foot pole, or even a nine-iron, but as far as the Anglican Church is concerned, I am still an anti-antidisestablishmentarian, if you know what I mean.

Distinctive Characteristics

Well, so what? How does all this set the libertarian apart (whether for better or for worse) from all others? Let us first take the traditionalist or conservative, with whom the libertarian is often linked, largely erroneously. True, together they sing the chorus of damn the unions, damn the minimum wage laws, and damn the progressive income tax. But when the libertarian starts a chorus of damn the tariff or damn the Sunday blue laws, he ends up singing a solo.

Let me be careful about this.

What I am asking for is precisely what men like Albert Jay Nock have asked for in the past — that *the society* be distinguished from *the state* and that the society *not* be absorbed by the state. Society, with its full network of restraints on individual conduct, based on custom, tradition, religion, personal morality, a sense of style, and with all its indeed powerful sanctions, is what makes the civilized life possible and meaningful. I am not proposing an anarchic society; on the contrary I am essentially a conservative on most questions of social organization and social process. I do believe in continuity, in the important role of tradition and custom, in standards for personal conduct, in the great importance of the elite (imperfect though they may be).

But unlike the political conservative, I do not wish to see these influences on individual behavior institutionalized in the hands of the state. As I read history, I see that wherever the generally accepted social processes have been made into law, civilization has ceased to advance. For one, the penalty to be paid by the innovator, which is severe even without the law, and perhaps properly so, is made so severe (even including death) as to stop that healthy and necessary and slow process of change through which civilizations move to higher levels of achievement.

For another, the elite, if given the power to implement their views with the use of force, are almost certain to be corrupted by that power and to cease playing their essential and beneficial role in society. The pages of history

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

are strewn with the wreckages of superior men who have been undone by the corrupting influence of possession of the power to coerce.

Modern Liberalism

Now to the modern liberal. How does the libertarian differ from the modern liberal? Well, the modern liberal cuts in where the conservative cuts out and cuts out where the conservative cuts in. Like the libertarian, the modern liberal is all for sin, so long as it's peaceful. But unlike the libertarian, the modern liberal is perfectly willing to use the sheriff to attempt to bring about whatever outcomes he desires in economic life. Should there be a Pure Books, Plays and Films Administration? Never, says the modern liberal. Should there be a Pure Food and Drug Administration? Of course, says the modern liberal. If two consenting adults engage in an unnatural act in private, should the law intervene? Never, says the modern liberal. If two consenting adults arrive at a wage contract calling for the payment of $1.00 an hour to the one, should the state intervene and require that the payment must be no less than $1.60 per hour (even if, by the very act, that leads to no contract; to no job at all)? Of course, says the modern liberal. These examples could be multiplied indefinitely.

Now, perhaps there are real differences in circumstances that make these differences in evaluation consistent. Perhaps the modern liberal is right and the libertarian is wrong. What I am trying to point out is that the libertarian, be he right or be he wrong, is opposed to intervention by the state in *any* of the peaceful actions of individuals or groups, whether the relationship involve sex, games, or the market place; and this sets him apart from *both* the modern conservative and the modern liberal.

The New Left

Now what of the New Left? Here, too, there are some family resemblances, and some of my libertarian friends are now involved in a love affair with the New Left. In some ways this makes sense. The New Left and the libertarians share a common suspicion of concentrated power, and particularly of the power to coerce; they join in not wishing to be ruled by any establishment, even of the elite; they tend to be alike in leaning toward pacificism and nonintervention, at least in opposing the U.S. involvement in Viet Nam and the Russian involvement in Czechoslovakia. But there the love affair comes to an abrupt end.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

To the libertarian, private property is an extension of the human personality and an absolutely necessary element in the structure of a society of free men; to most New Lefters, private property is largely an invention of the establishment to suppress the free human spirit and is a barrier to the full expression of human concern and relatedness. To the libertarian, or at least to Ben Rogge, the "politics of confrontation" of the New Left is neither peaceful as a means nor acceptable as an end, if the end is what it so often seems to be, the imposing of a minority view on the majority by what amounts to blackmail. "Give in to my demands and I'll leave your office; throw me off your property and *you* are the one who is guilty of breaking the peace. Call in the cops to protect that which is yours and you are a Fascist pig." To the libertarian this is nonsense, and very dangerous nonsense indeed. The goal of the victory of persuasion over force in human affairs can hardly be well served by what amounts to the use of force.

But of course, the goal of the New Left is not the goal of the libertarian – the right choice of means. In fact, the goals of the New Left are difficult to identify, particularly in terms of the kind of social arrangements they wish to see brought into being out of the ashes of that which we now have. Given their rejection of capitalism and liberal democracy, there seem to be three main possibilities: (1) an essentially anarchic arrangement, with no government; (2) a syndicalist-communalist-pastoral arrangement, patterned after the kibbutz in Israel, with minimal government; or (3) an out-and-out Marxist-socialist dictatorship of the proletariat. To the libertarian, the first would mean the tyranny of the strong, and life would indeed be mean, nasty, brutish, and short; the second would mean economic chaos and, given our dependence on the goods produced by a sophisticated technology, this approach would require that some eight out of every ten of us lie down and die; and the third would mean tyranny, bold and bloody and bright.

We Work with Imperfections and Thus Need to Be Free

To all of these – the conservative, the modern liberal, and the New Left – the libertarian says, with Huckleberry Finn, "No thank you, I've been there before." He insists that what marks the civilized society is not so much *what* goals its people are seeking but what *means* are used and accepted in the seeking of goals. He insists that to the opinions and ideas and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

revelations of even the best of men must still cling the mortal, the human uncertainty. If even those who come to be least imperfect in knowing and acting cannot be identified in advance (or even clearly identified after the fact) surely it follows that each imperfect man must be given (indeed, *has*) the right to follow his own imperfectly selected star in his own imperfect way, to march to the music that he hears and not to the music that you and I hear.

The libertarian is in no sense a utopian. He argues only that in a world in which each imperfect individual was left free to make his own imperfect decisions and to act on them in any way that was peaceful, enjoying the fruits of his successes and suffering the agony of his mistakes, man could at least fully attain to the dignity and tragedy and comedy that comes with being a man rather than a thing. And here, somewhere East of Eden, there is little more that we can expect out of life.

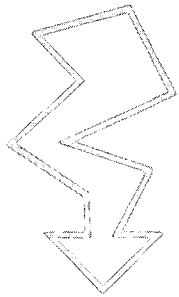
IDEAS ON LIBERTY

Up Through the Ranks

THERE is not of necessity any such thing as the free hired laborer being fixed to that condition for life. Many independent men everywhere in these States a few years back in their lives were hired laborers. The prudent, penniless beginner in the world labors for wages awhile, saves a surplus with which to buy tools or land for himself, then labors on his own account another while, and at length hires another new beginner to help him. This is the just and generous and prosperous system which opens the way to all, gives hope to all, and consequent energy and progress and improvement of condition to all. No men living are more worthy to be trusted than those who toil up from poverty; none less inclined to take or touch aught which they have not honestly earned. Let them beware of surrendering a political power which they already possess, and which if surrendered will surely be used to close the door of advancement against such as they and fix new disabilities and burdens upon them till all of liberty shall be lost.

ABRAHAM LINCOLN, Message to Congress, 1861

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



THE GREAT DEPRESSION

HANS F. SENNHOLZ

ALTHOUGH the Great Depression engulfed the world economy some 40 years ago, it lives on as a nightmare for individuals old enough to remember and as a frightening specter in the textbooks of our youth. Some 13 million Americans were unemployed, "not wanted" in the production process. One worker out of every four was walking the streets in want and despair. Thousands of banks, hundreds of thousands of businesses, and millions of farmers fell into bankruptcy or ceased operations entirely. Nearly everyone suffered painful losses of wealth and income.

Many Americans are convinced that the Great Depression reflected the breakdown of an old economic order built on unhampered markets, unbridled competition, speculation, property rights, and the profit motive. According to them, the Great Depression proved the inevitability of a new order built on government intervention, political and bureaucratic control, human rights, and government welfare. Such persons, under the influence of Keynes, blame businessmen for precipitating depressions by their selfish refusal to spend enough money to maintain or improve the people's purchasing power. This is why they advocate vast governmental expenditures and deficit spending – resulting in an age of money inflation and credit expansion.

Classical economists learned a different lesson. In their view, the Great Depression consisted of four

Dr. Sennholz heads the Department of Economics at Grove City College in Pennsylvania and is a noted writer and lecturer for freedom.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

consecutive depressions rolled into one. The causes of each phase differed, but the consequences were all the same: business stagnation and unemployment.

The Business Cycle

The first phase was a period of boom and bust, like the business cycles that had plagued the American economy in 1819-20, 1839-43, 1857-60, 1873-78, 1893-97, and 1920-21. In each case, government had generated a boom through easy money and credit, which was soon followed by the inevitable bust.

The spectacular crash of 1929 followed five years of reckless credit expansion by the Federal Reserve System under the Coolidge Administration. In 1924, after a sharp decline in business, the Reserve banks suddenly created some $500 million in new credit, which led to a bank credit expansion of over $4 billion in less than one year. While the immediate effects of this new powerful expansion of the nation's money and credit were seemingly beneficial, initiating a new economic boom and effacing the 1924 decline, the ultimate outcome was most disastrous. It was the beginning of a monetary policy that led to the stock market crash in 1929 and the following depression. In fact, the expansion of Federal Reserve credit in 1924 constituted what Benjamin Anderson in his great treatise on recent economic history (*Economics and the Public Welfare*, D. Van Nostrand, 1949) called "the beginning of the New Deal."

The Federal Reserve credit expansion in 1924 also was designed to assist the Bank of England in its professed desire to maintain prewar exchange rates. The strong U.S. dollar and the weak British pound were to be readjusted to prewar conditions through a policy of inflation in the U.S. and deflation in Great Britain.

The Federal Reserve System launched a further burst of inflation in 1927, the result being that total currency outside banks plus demand and time deposits in the United States increased from $44.51 billion at the end of June, 1924, to $55.17 billion in 1929. The volume of farm and urban mortgages expanded from $16.8 billion in 1921 to $27.1 billion in 1929. Similar increases occurred in industrial, financial, and state and local government indebtedness. This expansion of money and credit was accompanied by rapidly rising real estate and stock prices. Prices for industrial securities, according to Standard & Poor's common stock index, rose from 59.4 in June of 1922 to 195.2 in September of 1929. Railroad stock

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

climbed from 189.2 to 446.0, while public utilities rose from 82.0 to 375.1.

A Series of False Signals

The vast money and credit expansion by the Coolidge Administration made 1929 inevitable. Inflation and credit expansion always precipitate business maladjustments and malinvestments that must later be liquidated. The expansion artificially reduces and thus falsifies interest rates, and thereby misguides businessmen in their investment decisions. In the belief that declining rates indicate growing supplies of capital savings, they embark upon new production projects. The creation of money gives rise to an economic boom. It causes prices to rise, especially prices of capital goods used for business expansion. But these prices constitute business costs. They soar until business is no longer profitable, at which time the decline begins. In order to prolong the boom, the monetary authorities may continue to inject new money until finally frightened by the prospects of a run-away inflation. The boom that was built on the quicksand of inflation then comes to a sudden end.

The ensuing recession is a period of repair and readjustment. Prices and costs adjust anew to consumer choices and preferences. And above all, interest rates readjust to reflect once more the actual supply of and demand for genuine savings. Poor business investments are abandoned or written down. Business costs, especially labor costs, are reduced through greater labor productivity and managerial efficiency, until business can once more be profitably conducted, capital investments earn interest, and the market economy function smoothly again.

After an abortive attempt at stabilization in the first half of 1928, the Federal Reserve System finally abandoned its easy money policy at the beginning of 1929. It sold government securities and thereby halted the bank credit expansion. It raised its discount rate to 6 per cent in August, 1929. Time-money rates rose to 8 per cent, commercial paper rates to 6 per cent, and call rates to the panic figures of 15 per cent and 20 per cent. The American economy was beginning to readjust. In June, 1929, business activity began to recede. Commodity prices began their retreat in July.

The security market reached its high on September 19 and then, under the pressure of early selling, slowly began to decline. For five more weeks the public nevertheless bought heavily on the way down. More than 100 million shares were traded at the New York Stock Ex-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

change in September. Finally it dawned upon more and more stockholders that the trend had changed. Beginning with October 24, 1929, thousands stampeded to sell their holdings immediately and at any price. Avalanches of selling by the public swamped the ticker tape. Prices broke spectacularly.

Liquidation and Adjustment

The stock market break signaled the beginning of a readjustment long overdue. It should have been an orderly liquidation and adjustment followed by a normal revival. After all, the financial structure of business was very strong. Fixed costs were low as business had refunded a good many bond issues and had reduced debts to banks with the proceeds of the sale of stock. In the following months, most business earnings made a reasonable showing. Unemployment in 1930 averaged under 4 million, or 7.8 per cent of labor force.

In modern terminology, the American economy of 1930 had fallen into a mild recession. In the absence of any new causes for depression, the following year should have brought recovery as in previous depressions. In 1921-22 the American economy recovered fully in less than a year. What, then, precipitated the abysmal collapse after 1929? What prevented the price and cost adjustments and thus led to the second phase of the Great Depression?

Disintegration of the World Economy

The Hoover Administration opposed any readjustment. Under the influence of "the new economics" of government planning, the President urged businessmen *not* to cut prices and reduce wages, but rather to increase capital outlay, wages, and other spending in order to maintain purchasing power. He embarked upon deficit spending and called upon municipalities to increase their borrowing for more public works. Through the Farm Board which Hoover had organized in the autumn of 1929, the Federal government tried strenuously to uphold the prices of wheat, cotton, and other farm products. The GOP tradition was further invoked to curtail foreign imports.

The Hawley-Smoot Tariff Act of June, 1930, raised American tariffs to unprecedented levels, which practically closed our borders to foreign goods. According to most economic historians, this was the crowning folly of the whole period from 1920 to 1933 and the beginning of the real depression. "Once we raised our tariffs," wrote Benjamin Anderson, "an irresistible movement all over the world to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

raise tariffs and to erect other trade barriers, including quotas, began. Protectionism ran wild over the world. Markets were cut off. Trade lines were narrowed. Unemployment in the export industries all over the world grew with great rapidity. Farm prices in the United States dropped sharply through the whole of 1930, but the most rapid rate of decline came following the passage of the tariff bill." When President Hoover announced he would sign the bill into law, industrial stocks broke 20 points in one day. The stock market correctly anticipated the depression.

The protectionists have never learned that curtailment of imports inevitably hampers exports. Even if foreign countries do not immediately retaliate for trade restrictions injuring them, their foreign purchases are circumscribed by their ability to sell abroad. This is why the Hawley-Smoot Tariff Act which closed our borders to foreign products also closed foreign markets to our products. American exports fell from $5.5 billion in 1929 to $1.7 billion in 1932. American agriculture customarily had exported over 20 per cent of its wheat, 55 per cent of its cotton, 40 per cent of its tobacco and lard, and many other products. When international trade and commerce were disrupted, American farming collapsed. In fact, the rapidly growing trade restrictions, including tariffs, quotas, foreign exchange controls, and other devices were generating a world-wide depression.

Agricultural commodity prices, which had been well above the 1926 base before the crisis, dropped to a low of 47 in the summer of 1932. Such prices as $2.50 a hundredweight for hogs, $3.28 for beef cattle, and 32¢ a bushel for wheat, plunged hundreds of thousands of farmers into bankruptcy. Farm mortgages were foreclosed until various states passed moratoria laws, thus shifting the bankruptcy to countless creditors.

Rural Banks in Trouble

The main creditors of American farmers were, of course, the rural banks. When agriculture collapsed, the banks closed their doors. Some 2,000 banks, with deposit liabilities of over $1.5 billion, suspended between August, 1931, and February, 1932. Those banks that remained open were forced to curtail their operations sharply. They liquidated customers' loans on securities, contracted real estate loans, pressed for the payment of old loans, and refused to make new ones. Finally, they dumped their most marketable bond holdings on an already depressed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

market. The panic that had engulfed American agriculture also gripped the banking system and its millions of customers.

The American banking crisis was aggravated by a series of events involving Europe. When the world economy began to disintegrate and economic nationalism ran rampant, European debtor countries were cast in precarious payment situations. Austria and Germany ceased to make foreign payments and froze large English and American credits; when England finally suspended gold payments in September, 1931, the crisis spread to the U.S. The fall in foreign bond values set off a collapse of the general bond market, which hit American banks at their weakest point – their investment portfolios.

Depression Compounded

1931 was a tragic year. The whole nation, in fact, the whole world, fell into the cataclysm of despair and depression. American unemployment jumped to more than 8 million and continued to rise. The Hoover Administration, summarily rejecting the thought that it had caused the disaster, labored diligently to place the blame on American businessmen and speculators. President Hoover called together the nation's industrial leaders and pledged them to adopt his program to maintain wage rates and expand construction. He sent a telegram to all the governors, urging cooperative expansion of all public works programs. He expanded Federal public works and granted subsidies to ship construction. And for the benefit of the suffering farmers, a host of Federal agencies embarked upon price stabilization policies that generated ever larger crops and surpluses which in turn depressed product prices even further. Economic conditions went from bad to worse and unemployment in 1932 averaged 12.4 million.

In this dark hour of human want and suffering, the Federal government struck a final blow. The Revenue Act of 1932 doubled the income tax, the sharpest increase in the Federal tax burden in American history. Exemptions were lowered, "earned income credit" was eliminated. Normal tax rates were raised from a range of 1½ to 5 per cent to a range of 4 to 8 per cent, surtax rates from 20 per cent to a maximum of 55 per cent. Corporation tax rates were boosted from 12 per cent to 13¾ and 14½ per cent. Estate taxes were raised. Gift taxes were imposed with rates from ¾ to 33½ per cent. A 1¢ gasoline tax was imposed, a 3 per cent automobile tax, a telegraph and telephone

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tax, a 2¢ check tax, and many other excise taxes. And finally, postal rates were increased substantially.

When state and local governments faced shrinking revenues, they, too, joined the Federal government in imposing new levies. The rate schedules of existing taxes on income and business were increased and new taxes imposed on business income, property, sales, tobacco, liquor, and other products.

Murray Rothbard, in his authoritative work on *America's Great Depression* (Van Nostrand, 1963), estimates that the fiscal burden of Federal, state, and local governments nearly doubled during the period, rising from 16 per cent of net private product to 29 per cent. This blow, alone, would bring any economy to its knees, and shatters the silly contention that the Great Depression was a consequence of economic freedom.

The New Deal of NRA and AAA

One of the great attributes of the private-property market system is its inherent ability to overcome almost any obstacle. Through price and cost readjustment, managerial efficiency and labor productivity, new savings and investments, the market economy tends to regain its equilibrium and resume its service to consumers. It doubtless would have recovered in short order from the Hoover interventions had there been no further tampering.

However, when President Franklin Delano Roosevelt assumed the Presidency, he, too, fought the economy all the way. In his first 100 days, he swung hard at the profit order. Instead of clearing away the prosperity barriers erected by his predecessor, he built new ones of his own. He struck in every known way at the integrity of the U.S. dollar through quantitative increases and qualitative deterioration. He seized the people's gold holdings and subsequently devalued the dollar by 40 per cent.

With some third of industrial workers unemployed, President Roosevelt embarked upon sweeping industrial reorganization. He persuaded Congress to pass the National Industrial Recovery Act (NIRA), which set up the National Recovery Administration (NRA). Its purpose was to get business to regulate itself, ignoring the antitrust laws and developing fair codes of prices, wages, hours, and working conditions. The President's Re-employment Agreement called for a minimum wage of 40¢ an hour ($12 to $15 a week in smaller communities), a 35-hour work week for industrial workers and 40 hours for white

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

collar workers, and a ban on all youth labor.

This was a naive attempt at "increasing purchasing power" by increasing payrolls. But, the immense increase in business costs through shorter hours and higher wage rates worked naturally as an *antirevival* measure. After passage of the Act, unemployment rose to nearly 13 million. The South, especially, suffered severely from the minimum wage provisions. The Act forced 500,000 Negroes out of work.

Nor did President Roosevelt ignore the disaster that had befallen American agriculture. He attacked the problem by passage of the Farm Relief and Inflation Act, popularly known as the First Agricultural Adjustment Act. The objective was to raise farm income by cutting the acreages planted or destroying the crops in the field, paying the farmers *not* to plant anything, and organizing marketing agreements to improve distribution. The program soon covered not only cotton, but also all basic cereal and meat production as well as principal cash crops. The expenses of the program were to be covered by a new "processing tax" levied on an already depressed industry.

NRA codes and AAA processing taxes came in July and August of 1933. Again, economic production which had flurried briefly before the deadlines, sharply turned downward. The Federal Reserve index dropped from 100 in July to 72 in November of 1933.

Pump-Priming Measures

When the economic planners saw their plans go wrong, they simply prescribed additional doses of Federal pump priming. In his January 1934 Budget Message, Mr. Roosevelt promised expenditures of $10 billion while revenues were at $3 billion. Yet, the economy failed to revive; the business index rose to 86 in May of 1934, and then turned down again to 71 by September. Furthermore, the spending program caused a panic in the bond market which cast new doubts on American money and banking.

Revenue legislation in 1933 sharply raised income tax rates in the higher brackets and imposed a 5 per cent withholding tax on corporate dividends. Tax rates were raised again in 1934. Federal estate taxes were brought to the highest levels in the world. In 1935, Federal estate and income taxes were raised once more, although the additional revenue yield was insignificant. The rates seemed clearly aimed at the redistribution of wealth.

According to Benjamin Anderson, "the impact of all these multi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tudinous measures – industrial, agricultural, financial, monetary and other – upon a bewildered industrial and financial community was extraordinarily heavy. We must add the effect of continuing disquieting utterances by the President. He had castigated the bankers in his inaugural speech. He had made a slurring comparison of British and American bankers in a speech in the summer of 1934. . . . That private enterprise could survive and rally in the midst of so great a disorder is an amazing demonstration of the vitality of private enterprise."

Then came relief from unexpected quarters. The "nine old men" of the Supreme Court, by unanimous decision, outlawed NRA in 1935 and AAA in 1936. The Court maintained that the Federal legislative power had been unconstitutionally delegated and states' rights violated.

These two decisions removed some fearful handicaps under which the economy was laboring. NRA, in particular, was a nightmare with continuously changing rules and regulations by a host of government bureaus. Above all, voidance of the act immediately reduced labor costs and raised productivity as it permitted labor markets to adjust. The death of AAA reduced the tax burden of agriculture and halted the shocking destruction of crops. Unemployment began to decline. In 1935 it dropped to 9.5 million, or 18.4 per cent of the labor force, and in 1936 to only 7.6 million, or 14.5 per cent.

A New Deal for Labor

The third phase of the Great Depression was thus drawing to a close. But there was little time to rejoice, for the scene was being set for another collapse in 1937 and a lingering depression that lasted until the day of Pearl Harbor. More than 10 million Americans were unemployed in 1938, and more than 9 million in 1939.

The relief granted by the Supreme Court was merely temporary. The Washington planners could not leave the economy alone; they had to earn the support of organized labor, which was vital for re-election.

The Wagner Act of July 5, 1935, earned the lasting gratitude of labor. This law revolutionized American labor relations. It took labor disputes out of the courts of law and brought them under a newly created Federal agency, the National Labor Relations Board, which became prosecutor, judge, and jury, all in one. Labor union sympathizers on the Board further perverted the law that already afforded legal immunities and privileges to labor unions. The

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

U. S. thereby abandoned a great achievement of Western civilization, equality under the law.

The Wagner Act, or National Labor Relations Act, was passed in reaction to the Supreme Court's voidence of NRA and its labor codes. It aimed at crushing all employer resistance to labor unions. Anything an employer might do in self-defense became an "unfair labor practice" punishable by the Board. The law not only obliged employers to deal and bargain with the unions designated as the employees' representative; later Board decisions also made it unlawful to resist the demands of labor union leaders.

Following the election of 1936, the labor unions began to make ample use of their new powers. Through threats, boycotts, strikes, seizures of plants, and outright violence committed in legal sanctity, they forced millions of workers into membership. Consequently, labor productivity declined and wages were forced upward. Labor strife and disturbance ran wild. Ugly sitdown strikes idled hundreds of plants. In the ensuing months economic activity began to decline and unemployment again rose above the ten million mark.

But the Wagner Act was not the only source of crisis in 1937. President Roosevelt's shocking attempt at packing the Supreme Court, had it been successful, would have subordinated the Judiciary to the Executive. In the U.S. Congress the President's power was unchallenged. Heavy Democratic majorities in both houses, perplexed and frightened by the Great Depression, blindly followed their leader. But when the President strove to assume control over the Judiciary, the American nation rallied against him, and he lost his first political fight in the halls of Congress.

There was also his attempt at controlling the stock market through an ever-increasing number of regulations and investigations by the Securities and Exchange Commission. "Insider" trading was barred, high and inflexible margin requirements imposed and short selling restricted, mainly to prevent repetition of the 1929 stock market crash. Nevertheless the market fell nearly 50 per cent from August of 1937 to March of 1938. The American economy again underwent dreadful punishment.

Other Taxes and Controls

Yet other factors contributed to this new and fastest slump in U.S. history. The Undistributed Profits Tax of 1936 struck a heavy blow at profits retained for use in business. Not content with destroying

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the wealth of the rich through confiscatory income and estate taxation, the administration meant to force the distribution of corporate savings as dividends subject to the high income tax rates. Though the top rate finally imposed on undistributed profits was "only" 27 per cent, the new tax succeeded in diverting corporate savings from employment and production to dividend income.

Amidst the new stagnation and unemployment, the President and Congress adopted yet another dangerous piece of New Deal legislation: the Wages and Hours Act or Fair Labor Standards Act of 1938. The law raised minimum wages and reduced the work week in stages to 44, 42, and 40 hours. It provided for time-and-a-half pay for all work over 40 hours per week and regulated other labor conditions. Again, the Federal government thus reduced labor productivity and increased labor costs — ample grounds for further depression and unemployment.

Throughout this period, the Federal government, through its monetary arm, the Federal Reserve System, endeavored to reinflate the economy. Monetary expansion from 1934 to 1941 reached astonishing proportions. The monetary gold of Europe sought refuge from the gathering clouds of political upheaval, boosting American bank reserves to unaccustomed levels. Reserve balances rose from $2.9 billion in January, 1934, to $14.4 billion in January of 1941. And with this growth of member bank reserves, interest rates declined to fantastically low levels. Commercial paper often yielded less than 1 per cent, bankers' acceptances from ⅛ per cent to ¼ per cent. Treasury bill rates fell to 1/10 of 1 per cent and Treasury bonds to some 2 per cent. Call loans were pegged at 1 per cent and prime customers' loans at 1½ per cent. The money market was flooded and interest rates could hardly go lower.

Deep-Rooted Causes

The American economy simply could not recover from these successive onslaughts by first the Republican and then the Democratic Administrations. Individual enterprise, the mainspring of unprecedented income and wealth, didn't have a chance.

The calamity of the Great Depression finally gave way to the holocaust of World War II. When more than 10 million able-bodied men had been drafted into the armed services, unemployment ceased to be an economic problem. And when the purchasing power of the dollar had been cut in half through vast budget deficits and currency inflation, American busi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ness managed to adjust to the oppressive costs of the Hoover-Roosevelt Deals. The radical inflation in fact reduced the real costs of labor and thus generated new employment in the postwar period.

Nothing would be more foolish than to single out the men who led us in those baleful years and condemn them for all the evil that befell us. The ultimate roots of the Great Depression were growing in the hearts and minds of the American people. It is true, they abhored the painful symptoms of the great dilemma. But the large majority favored and voted for the very policies that made the disaster inevitable: inflation and credit expansion, protective tariffs, labor laws that raised wages and farm laws that raised prices, ever higher taxes on the rich and distribution of their wealth. The seeds for the Great Depression were sown by scholars and teachers during the 1920's and earlier when social and economic ideologies that were hostile toward our traditional order of private property and individual enterprise conquered our colleges and universities. The professors of earlier years were as guilty as the political leaders of the 1930's.

Social and economic decline is facilitated by moral decay. Surely, the Great Depression would be inconceivable without the growth of covetousness and envy of great personal wealth and income, the mounting desire for public assistance and favors. It would be inconceivable without an ominous decline of individual independence and self-reliance, and above all, the burning desire to be free from man's bondage and to be responsible to God alone.

Can it happen again? Inexorable economic law ascertains that it must happen again whenever we repeat the dreadful errors that generated the Great Depression.

Frank F. Sennholz

IDEAS ON LIBERTY

Mob Mind in 1928-29

AFTER the crash in 1929, a speech was made before the Chamber of Commerce of the State of New York to explain what had happened, which discussed, among other things, the phenomena of mob mind which had been so manifest in the year and a half that had preceded the crash. The speaker made the generalization, familiar to social psychologists, that the more intense the craze, the higher the type of intellect that succumbs to it.

BENJAMIN ANDERSON, *Economics and the Public Welfare*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JERRY EMANUELSON

SOCIALIZED AIRWAVES

THE SITUATION regarding control of the airwaves may well be the closest approximation to total socialism in the world today. The use and allocation of radio frequencies is totally regulated by international treaties and national governments. Private ownership of the airwaves is virtually nonexistent. The responsibility for this condition rests mainly with the governments of the United States and the other supposedly capitalistic nations. Organized communism had little to do with the governmental seizure of the airwaves.

The term "airwaves" actually refers to empty space, rather than air. Such space remains useless until someone turns on a radio transmitter – just as much of the land in the American West remained useless until it was settled and developed by the pioneers. The airwaves qualify as property in the same sense that land does. Both can be bounded, claimed, and controlled either by private individuals or by governments. With respect to land, we have applied the private-property homestead principle. With respect to the airwaves, we have resorted to socialism.

Imagine what the consequences might have been if, when this country was being settled, the government had zoned all land and leased it out by granting three-year licenses. This would have been out-and-out socialism. Yet, this is exactly the situation that prevails with respect to the airwaves in our supposedly capitalistic society.

Instead of resorting to socialism, radio frequencies could be considered as private property,

Mr. Emanuelson is a licensed broadcast engineer and a student of electronics engineering in Colorado.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with unclaimed radio frequencies subject to claim by anyone who has a transmitter and wants to use the unclaimed frequency. If a hobbyist wants to transmit television signals on channel 4 in an area where that channel is unclaimed, why shouldn't he be permitted to do so? The homesteading principle should be applied to the airwaves as well as to land. Unowned frequency space could be claimed in the same manner that unowned land is claimed. Radio frequencies also could be bought and sold just as land is traded among willing buyers and sellers. If a hobbyist establishes sole claim to channel 4 in a given geographical area, any broadcasting company that subsequently wants to use that frequency space should be free to try to buy or lease it from the hobbyist.

With the current state of technology, there is plenty of frequency space available for everyone who is willing and able to buy or build a UHF radio transmitter. Except in a few metropolitan areas, nearly all of the UHF television channels are unused. Yet, just one of these UHF television channels contains enough frequency space for 600 AM broadcast or two-way radio stations — each with a range of 30 miles or so. Undoubtedly, much of this idle frequency space would be put to good use if the airwaves were a commodity on the open market.

As with any other scarce and valuable resource, putting the airwaves on the free market would insure their most efficient and profitable use. A "radio-homesteader" hobbyist would have the same incentive to sell or lease his frequency space to a broadcasting company as any land owner might have to sell or lease his land to a mining company if it contained rich mineral deposits.

Strange that a country founded on the principles of private property and the free market should ignore those principles in exploiting the discovery of radio.

IDEAS ON LIBERTY

Private Property

BARBARISM has its earmarks, and the acquisition of property through conquest or superior force is notably one of them. Civilization, too, has its earmarks, and the orderly disposition of property through the medium of deeds, leases, wills, and other contractual arrangements is not only an earmark of civilization but an absolute prerequisite.

EDWARD P. SCHARFENBERGER

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

GOLD'S DUST

The best way for a nation to build confidence in its currency is not to bury lots of gold in the ground; it is, instead, to pursue responsible financial policies. If a country does so consistently enough, it's likely to find its gold growing dusty from disuse.

Editorial, THE WALL STREET JOURNAL (July 8, 1969)

GARY NORTH

WHEN I read the above sentences for the first time, something clicked in my mind. That the conclusions drawn by the editorialist concerning the importance of gold for monetary purposes are opposed to my conclusions is neither here nor there. What is important is that within an editorial hostile to gold, the writer has hit upon one of the basic truths of the international gold standard. *The gathering of dust on a government's stock of monetary gold is as good an indication of fiscal responsibility as would be the addition of gold dust to the stock.*

In order to place things in their proper perspective, we must consider the function of money in general and the size of a nation's gold stock in particular. Money, it should be understood, is useful only as a means of exchange. The reason some particular economic good functions as money is because it is the most highly marketable good available; it outrivals other items in the four properties of any monetary good: durability, transportability, divisibility, and scarcity. For that reason it is in demand; people are willing to part with other scarce goods and services in order to purchase money. Murray Rothbard has commented on this unique function of money:

> Thus, we see that while an increase in the money supply, like an increase in the supply of any good, lowers its price, the change *does not – unlike other goods – confer a social benefit.* The public at large is not made richer. Whereas new consumer or capital goods add to standards of living, new

Gary North is a member of the Economists' National Committee on Monetary Policy.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

money only raises prices – i.e., dilutes its own purchasing power. The reason for this puzzle is that money is *only useful for its exchange-value.* Other goods have "real" utilities, so that an increase in their supply satisfies more consumer wants. Money has only utility for prospective exchange; its utility lies in its exchange-value, or "purchasing power." Our law – that an increase in money does not confer a social benefit – stems from its unique use as a medium of exchange.[1]

No Measure for Social Benefit

I would prefer to modify Dr. Rothbard's statement somewhat. If economic analysis is accepted as a tool for better understanding, then we must be careful not to derive ethical judgments from the application of a supposedly neutral tool of analysis. This, I believe, is in line with the epistemological foundations laid down by men like Ludwig von Mises and Lionel Robbins. What we can say, therefore, is that an addition to an existing stock of money *cannot be said* to confer a social benefit in the aggregate. Given Professor Mises' analysis of inflation (which Dr. Rothbard generally accepts, as I do), we know that those who have first access to the new money do, indeed, gain a benefit: they can spend the newly mined (or newly printed) money at yesterday's prices. Their competitors who do not have immediate access to the new money are forced to restrict their purchases as supplies of available goods go down and/or prices of the goods increase. Thus, those on a fixed income cannot buy as much as they would have been able to buy had the new money not come into existence. Some people benefit in the short run; others suffer loss. Economic analysis as such gives us no clue as to the over-all social benefit; in the aggregate, social benefits may have increased, stayed the same, or fallen. But Dr. Rothbard's general point is vital: the increase of the total stock of money cannot be said, *a priori,* to have increased a nation's aggregate social benefit. The only way such a statement could be made would be in terms of a value-laden set of presuppositions which deems it socially beneficial to aid one group in the community (the miners, or those printing the money) at the expense of another group (those on fixed incomes). Economics as such could never tell us this, which should encourage us to re-examine the presuppositions lying behind the highly inflationary recommendations of many of those enamored of the "new economics."

If it is true that there is no way of supporting, through the use of

[1] Murray N. Rothbard, *What Has Government Done to Our Money?* (Pine Tree Press, 1964), p. 13.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

economic analysis, the idea that an increase in the money supply in some way increases aggregate social benefits, then certain conclusions will follow. For the sake of argument, let us assume that the supply of paper dollars is tied, both legally and in fact, to the stock of gold in the Federal government's vaults. Let us assume that for each ounce of gold brought to the government, a paper receipt called a "dollar" is issued to the one bringing in the gold for deposit. At any time the bearer of this IOU can redeem the paper "dollar" for an ounce of gold. By definition, a dollar is now worth an ounce of gold, and vice versa. What will take place either if an addition of new gold is made by some producer, or if the government (illegally) should print up a paper dollar? Rothbard describes the results:

> An increase in the money supply, then, only dilutes the effectiveness of each gold ounce; on the other hand, a fall in the supply of money raises the power of each gold ounce to do its work. [Rothbard is speaking of the long-run effects in the aggregate.] We come to the startling truth that *it doesn't matter what the supply of money is.* Any supply will do as well as any other supply. The free market will simply adjust by changing the purchasing-power, or effectiveness of its gold unit. There is no need whatever for any planned increase in the money supply, for the supply to rise to offset any condition, or to follow any artificial criteria. More money does not supply more capital, is not more productive, does not permit "economic growth."[2]

Once we have a given supply of money in our national gold system (or wampum system), we no longer need to worry about the efficiency of the monetary unit. Men will use money as an economic accounting device in the most efficient manner possible, given the prevailing legal, institutional, and religious structure. In fact, by adding to the existing money supply in any appreciable fashion, we bring into existence the "boom-bust" phenomenon of inflation and depression.[3] The old cliché, "Let well enough alone," is quite accurate in the area of monetary policy.

Why Gold?

We live in an imperfect universe. We are not perfect creatures, possessing omniscience, omnipotence, and perfect moral natures. We therefore find ourselves in a world in which some people will choose actions which will benefit them in the short run, but which may harm others in the long

[2] *Ibid.*, p. 13.

[3] Cf. Gary North, "Repressed Depression," THE FREEMAN (April, 1969).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

run. The gold miner, by diluting the purchasing power of the monetary unit, achieves short-run benefits. Those on fixed incomes are faced with a restricted supply of goods available for purchase at the older, less inflated, price levels. This is a fact of life.

Nevertheless, Professor Mises has defended gold as the great foundation of our liberties precisely because it is so difficult to mine. It is not a perfect mechanism, but its effects are far less deleterious than the power of a monopolistic state or licensed banking system to create money by fiat. The effects of gold are far more predictable, because they are more regular; geology acts as a greater barrier to inflation than can any man-made institutional arrangement.[4] The booms will be smaller, the busts will be less devastating, and the redistribution involved in all inflation (or deflation, for that matter) can be more easily planned for.

Nature is niggardly; that is a blessing for us in the area of monetary policy, assuming we limit ourselves to a monetary system tied to specie metals. We would not need gold if, and *only* if, we could be guaranteed that the government or banks would not tamper with the supply of money in order to gain their own short-run benefits. So long as that temptation exists, gold (or silver, or platinum) will alone serve as a protection against policies of mass inflation.

The Stock of Gold

The collective entity known as the nation, as well as another collective, the State, will always have a desire to increase its percentage of the world's economic goods. In international terms, this means that there will always be an incentive for a nation to mine all the gold that it can. While it is true that economics cannot tell us that an increase in the world's gold supply will result in an increase in aggregate social utility, economic reasoning does inform us that the nation which gains access to newly mined gold at the beginning will be able to buy at yesterday's prices. World prices will rise in the future as a direct result, but he who gets there "fustest with the mostest" does gain an advantage. Thus, so long as there is a demand for South African gold, we can expect to see South Africa selling her gold if the value of the goods she can purchase is greater than the value of the gold to her. What applies to an individual citizen miner applies equally to national entities.

[4] Ludwig von Mises, *The Theory of Money and Credit* (Yale University Press, 1951), pp. 209-11, 238-40.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

So much for technicalities. What about the so-called "gold stock"? In a free market society which permits all of its citizens to own gold and gold coins, there will be a whole host of gold stocks. (By "stock," I mean gold hoard, not a share in some company.) Men will own stocks, institutions like banks will have stocks, and all levels of civil government – city, county, national – will possess gold stocks. All of these institutions, including the family member, could issue paper IOU slips for gold, although the slips put out by known institutions would no doubt circulate with greater ease (if what is known about them is *favorable*). I suppose that the "national stock of gold" in such a situation would refer to the combined individual stocks.

Within this hypothetical world, let us assume that the national government wishes to purchase a fleet of German automobiles for its embassy in Germany. The American people are therefore taxed to make the funds available. Our government now pays the German central bank (or similar middleman) paper dollars in order to purchase German marks. Since, in our hypothetical world, all national currencies are 100 per cent gold-backed, this will be an easy arrangement. Gold would be equally valuable everywhere (excluding shipping costs and, of course, the newly mined gold which keeps upsetting our analysis), so the particular paper denominations are not too important. Result: the German firm gets its marks, the American embassy gets its cars, and the middleman has a stock of paper American dollars. These bills are available for the purchase of American goods or American gold directly by the middleman, but he, being a specialist working in the area of currency exchange, is more likely to make those dollars available (at a fee) for others who want them. They, in turn, can buy American goods, services, or gold. This should be clear enough.

Paper Promises Easily Broken

Money, it will be recalled, is useful only for exchange, and this is especially true of paper money (gold, at least, can be made into wedding rings, earrings, nose rings, and so forth). If there is no reason to mistrust the American government, the paper bills will probably be used by professional importers and exporters to facilitate the exchange of goods. The paper will circulate, and no one bothers with the gold. It just sits around in the vaults, gathering dust. So long as the governments of the world refuse to print more paper bills than they have

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

gold to redeem them, their gold stays put. It would be wrong to say that gold has no economic function, however. It does, and the fact that we must forfeit storage space and payment for security systems testifies to that valuable function. It keeps governments from tampering with their domestic monetary systems. *An ingot of prevention is worth a pound of cure* (apologies to Harold Wilson).

Obviously, we do not live in the hypothetical world which I have sketched. What we see today is a short-circuited international gold standard. National governments have monopolized the control of gold for exchange purposes; they can now print more IOU slips than they have gold. Domestic populations cannot redeem their slips, and since March of 1968, very few international agencies have access to governmental gold stocks (or so we are told). The governments create more and more slips, the banks create more and more credit, and we are deluged in money of decreasing purchasing power. The rules of the game have been shifted to favor the expansion of centralized power. The laws of economics, however, are still in effect.

Trading Without Gold

One can easily imagine a situation in which a nation has a tiny gold reserve in its national treasury. If it produces, say, bananas, and it limits its purchases of foreign goods by what it receives in foreign exchange for exported bananas, it needs to transfer no gold. It has purchasing power (exported bananas) apart from any gold reserves. If, for some reason, it wants to increase its national stock of gold (perhaps the government plans to fight a war, and it wants a reserve of gold to buy goods in the future, since gold stores more conveniently than bananas), the government can get the gold, or it could before March, 1968. All it needs to do is take the foreign money gained through the sale of bananas and use it to buy gold instead of other economic goods. This will involve taxation, of course, but that is what all wars involve. If you spend less than you receive, you are saving the residual; a government can save gold. That's really what a gold reserve is — a savings account.

This is a highly simplified example. It is used to convey a basic economic fact: if you produce a good (other than gold), and you use it to export in order to gain foreign currency, then you do not need a gold reserve. You have merely chosen to hoard foreign currency instead of gold. That applies to citizens and governments equally well.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

What, then, is the role of gold in international trade? Dr. Patrick Boarman clearly explained the mechanism of international exchange in *The Wall Street Journal* of May 10, 1965:

> The function of international reserves is NOT to consummate international transactions. These are, on the contrary, financed by ordinary commercial credit supplied either by exporters or importers, or in some cases by international institutions. Of such commercial credit there is in individual countries normally no shortage, or internal credit policy can be adjusted to make up for any untoward tightness of funds. In contrast, international reserves are required to finance only the inevitable net differences between the value of a country's total imports and its total exports; their purpose is not to finance trade itself, but net trade imbalances.

The international gold standard, like the free market's rate of interest, is an equilibrating device. What it is supposed to equilibrate is not gross world trade but *net trade imbalances*. Boarman's words throw considerable light on the perpetual discussion concerning the increase of "world monetary liquidity":

> A country will experience a net movement of its reserves, in or out, only where its exports of goods and services and imports of capital are insufficient to offset its imports of goods and services and exports of capital. Equilibrium in the balance of payments is attained not by increasing the quantity of a mythical "world money" but by establishing conditions in which autonomous movements of capital will offset the net results, positive and negative, of the balance of trade.

Some trade imbalances are temporarily inevitable. Natural or social disasters take place, and these may reduce a nation's productivity for a period of time. The nation's "savings" – its gold stock – can then be used to purchase goods and services from abroad. Specifically, it will purchase with gold all those goods and services needed above those available in trade for current exports. If a nation plans to fight a long war, or if it expects domestic rioting, then, of course, it should have a larger gold stock than a nation which expects peaceful conditions. If a nation plans to print up millions and even billions of IOU slips in order to purchase foreign goods, it had better have a large gold stock to redeem the slips. But that is merely another kind of trade imbalance, and is covered by Boarman's exposition.

The Guards

A nation which relies on its free market mechanism to balance

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

supply and demand, imports and exports, production and consumption, will not need a large gold stock to encourage trade. Gold's function is to act as a restraint on governments' spending more than they take in. If a government takes in revenues from the citizenry, and exports the paper bills or fully backed credit to pay for some foreign good, then there should be no necessity to deplete its semi-permanent gold reserves. They will sit idle – idle in the sense of *physical movement*, but not idle in the sense of being economically irrelevant.

The fact that the gold does not move is no more (and no less) significant than the fact that the guards who are protecting the gold can sit quietly on the job if the storage system is really efficient. Gold guards us from that old messianic dream of getting something for nothing; that is also the function of the guards who protect the gold. The guard who is not very important in a "thief-proof" building is also a kind of "equilibrating device": he is there in case the over-all system should experience a temporary failure.

A nation which permits the market to function freely is, by analogy, also "thief-proof": everyone consuming is required to offer something in exchange. During emergencies the gold is used, like the guard. Theoretically, the free market economy could do without a large national gold reserve, in the same sense that a perfectly designed vault could do without most of the guards. The nation that requires huge gold reserves is like a vault that needs extra guards; something is probably breaking down somewhere.

Conclusion

I have come, as a recent popular song puts it, "the long way around." What I have been trying to explain is that a full gold coin standard, within the framework of a free market economy, would permit the large mass of citizens to possess gold. This might mean that the "national reserves of gold" – that is, the State's gold hoard – might not have to be very large. If we were to re-establish full domestic convertibility of paper money for gold coins (as it was before 1934), while removing the "legal tender" provision of the Federal Reserve Notes, the economy would still function. It would probably function far better in the long run.

That, of course, is not the world we live in. Since it is not a free society in the sense that I have pictured, we must make certain compromises with our theoretical model. The statement in *The Wall*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Street Journal's editorial would be completely true only in an economy using a full gold coin standard: "The best way for a nation to build confidence in its currency is not to bury lots of gold in the ground." Quite true; gold would be used for purposes of exchange, although one might save for a "rainy day" by burying gold. But if governments refused to inflate their currencies, few people would need to bury their gold, and neither would the government. If a government wants to build confidence, indeed it should "pursue responsible financial policies," that is, it should not spend more than it takes in. The conclusion is accurate: "If a country does so consistently enough, it's likely to find its gold growing dusty from disuse."

In order to remove the necessity of a large gold hoard, all we need to do is follow policies that will "establish Justice, insure domestic Tranquility, provide for the common defense [with few, if any, entangling alliances], promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity." To the extent that a nation departs from those goals, it will need a large gold hoard, for it costs a great deal to finance injustice, domestic violence, and general illfare. With the latter policies in effect, we find that the gold simply pours out of the Treasury, as "net trade imbalances" between the State and everyone else begin to mount. A moving ingot gathers no dust.

Which leads us to "North's Corollary to the Gold Standard" (tentative): *"The fiscal responsibility of a nation's economic policies can be measured directly in terms of the thickness of the layer of dust on its gold reserves: the thicker the layer, the more responsible the policies."*

IDEAS ON LIBERTY

Nobody's Business

THE ESSENTIAL difference between the pre-war and the post-war gold standard was that the former had to work, because, if it did not do so, the banker went bankrupt. After the outbreak of war in 1914 the Government — not the banker — was responsible, and what is the Government's business is often nobody's business.

GEORGE WINDER, *A Short History of Money*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Read's Law

LEONARD E. READ

IT IS becoming more and more fashionable for probers into political economy to concoct a "law" and tack their name onto it. Doubtless, this fad stems from such famous instances as *Gresham's Law:* "Bad money drives out good money." Or, *Say's Law of Markets:* "Production generates its own purchasing power."

This tendency among our contemporaries is a humorous way of presenting a serious idea, believed by each to be sound and original. Nor can I fault anyone for trying to have a bit of fun with what otherwise might be dismal and foreboding.

Perhaps the best known of the new ones is *Parkinson's Law:* "Expenses rise to meet income."

A book entitled *The Peter Principle* currently heads the best-seller list: "In a hierarchy every employee tends to rise to his level of incompetence."

Brozen's Law reads: "Most obviously true economic policy propositions are false."[1]

Rogge's Rule tickles my fancy: "Whenever the government passes a law for your protection, take to the hills – because you are about to be had!"[2]

The subject here, however, is *Read's Law:* "No politician can fly higher in office than he flew while getting there."

This "law" has no meaning, of course, until we identify the point of reference for "higher." And the height to which I aspire is freedom; that is, no restraint

[1] Yale Brozen, Professor of Business Economics, Graduate School of Business, University of Chicago. See THE FREEMAN, June, 1968, p. 328.

[2] Benjamin A. Rogge, Professor of Political Economy, Wabash College.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

against any creative action. In other words, freedom is my idea of high; socialism, statism – call it what you will – is my idea of low.

Without resort to the above point of reference, my "law" would have to be stated something like this: "No politician, after getting into office, can remove any more restraints against freedom than he promised to remove in his campaign speeches."

Let me relate how handy this "law" is. Over the years, I have known numerous aspirants for high office who, in private, endorse the freedom philosophy all the way – no exceptions! I am led to believe, "There's my boy!" Later, as I hear or read his campaign speeches, I find nary a word about the socialism he intends to repeal if elected. Indeed, only his political label seems to distinguish him from his socialist opponent. If such a candidate is sufficiently artful at vacillation, he's elected. Then, friends of mine hopefully ask: "What achievements for freedom are you looking forward to from so-and-so?" I respond by repeating *Read's Law:* "No politician can fly higher in office than he flew while getting there." My questioners chuckle, reflect on the campaign speeches, and draw their own conclusions. I have answered them accurately without a single disparaging or offensive reference to so-and-so. No personal attack – just an incontrovertible fact revealed!

Bear in mind that my claim has to do only with an inability to fly higher, not lower. An officeholder's "ceiling" is set by his campaign speeches; he can *descend* to any level. I recall the campaign pretensions of an aspirant to our highest office. He flew higher than anyone since Grover Cleveland. But once in office, he fell into a sideslip and never pulled out of it.

Let me explain how I discovered *Read's Law*. The campaign manager of a candidate was my close personal friend. Because his man's speeches were socialistic, I was critical. "Why, he believes the same as you and I do," came the reply. "He has to say what he's saying to get elected. Once in office, he will practice what *we* believe." The contention was that his candidate would fly higher in office than he flew while getting there. But no one was able to prove that untenable thesis; when the last vote was in, the candidate had lost.

The Truth Must Prevail

This experience led me to three important conclusions. The first is that no officeholder can ever overthrow any socialistic practice unless there is an enormous consen-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sus that it be done away with; otherwise, the practice is too tightly woven into the social fabric to be cast out by some political trick. Ridding our society of TVA or Social Security, for instance, is utterly impossible unless there be a general agreement for repeal. The candidates who never mention repeal in their campaign speeches make no contribution whatsoever to a new consensus. So, they have mustered no support for it, whatever their private views may be. They can never fly any higher than they flew while getting there! They are impotent. On the other hand, if they had been elected because of their advocacy of repeals, they would then have a popular mandate to so perform.

Second, the candidates who pretend privately to believe in freedom principles and who run for office on other than a clear-cut freedom platform, do not understand these principles; they do not *know* them! Conceded, they know *about* them and can recite the ideas quite impressively -- as can actors. The reason that so many of us are deceived in our private talks with these men is that we cannot see into their minds as to whether or not they really apprehend the ideas behind their words. We can only know for sure what they believe when we see them in action — in their campaigns. Candidates who thoroughly apprehend freedom principles would not — indeed, could not — do other than uphold them. When one *knows* a principle, its observation and practice is second nature.[3]

Finally, let politicians who privately say they are for freedom, but who publicly espouse socialism in order to get elected, be faithful to their public pronouncements. Freedom will fare better this way. Exposing the fallacies of socialism and explaining the principles of freedom cannot possibly be achieved except through fidelity. Truth can never be found by those or among those who practice dissimulation.

Devotees of freedom have everything to gain and nothing to lose when campaign promises, regardless of how socialistic, are faithfully kept. We need only remind ourselves that no politician can ever fly higher in office than he flew while getting there. Furthermore, the advancement of freedom is not a matter of *who* wields political power over creative actions; rather, it depends upon the disassembling of such power.

[3] See "When Freedom Becomes Second Nature," *Notes from FEE*, November, 1969.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The QUIET Revolution

EDMUND A. OPITZ

THE GREAT NATURALIST, John Burroughs, wrote that "in the ordinary course of nature, the great beneficent changes come slowly and silently. The noisy changes, for the most part, mean violence and disruption. . . . The still small voice is the voice of life and growth . . . In the history of a nation it is the same."

This is a time of noisy change, a time of violence and disruption, a time of perpetual crisis. There is, we are told, a crisis in family life, a crisis in the cities, a crisis in race relations, a crisis in religion. Doubt has been cast on all the old certainties; nothing appears fixed except change – and the inmates are trying to run the asylum. The present mood has been captured in the familiar lines by William Butler Yeats:

> Things fall apart; the centre cannot hold;
> Mere anarchy is loosed upon the world . . .
> The best lack all conviction, while the worst
> Are full of passionate intensity.

A bill of particulars is not needed; any man can supply his own, from any newspaper, any day of the week. And the feeling grows among us that the whirlwind of change which has scrambled our value system has erased all guidelines, all benchmarks, all standards.

The 1960's have not dealt kindly with Americans, and our magnificent accomplishments in outer space serve but to highlight the

The Reverend Mr. Opitz is a member of the staff of The Foundation for Economic Education. This article is from his guest sermon at Kirk in the Hills, Bloomfield Hills, Michigan, August 10, 1969.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tragic ruptures which mar our social life. We are bogged down in a land war in Asia, as a phase of the cycle of wars into which we have been locked since 1914. Whereas America was once regarded by the world's peoples as "the last, best hope of earth," it is now reviled in many quarters. Latin American countries ask a Presidential emissary to call off his tour because they cannot guarantee his safety. The nineteenth century trend in the direction of constitutionally guaranteed liberties of the citizen in his personal, his social, and his economic affairs slowed to a halt in the twentieth. The tide of totalitarianism began to rise, and communism in Russia has recently celebrated its fiftieth anniversary, confident of its strength, sure of the future, able to count on the disaffected of all countries – including our own – as allies.

We are uncertain about the philosophical basis of our own form of society; Adam Smith seems almost as remote as the original Adam, and who reads *The Federalist Papers* nowadays? The Executive branch has become semi-autonomous, and the Supreme Court usurps a legislative function. At the level where most of us live there is mounting concern over increased crime and the open incitements to violence – to which certain sectors of our society respond by displaying a paranoid sense of collective guilt. And then there are the demonstrations, the riots, and that crushing blow to our spirit – three tragic assassinations.

What has happened to people? What will become of America? What of the church in all this?

Outward Signs of Inner Turmoil

I take it as axiomatic that external disorder and social strife is a reflection of disorder in the mind and soul. For it is in the nature of the human condition that man forever seeks a harmony within himself, that is, an ordered soul; and secondly, he works for an outer order of society. Thomas Aquinas put it this way: "Man has a natural inclination toward knowing the truth about God, and toward living in society." This is to restate the Great Commandment given to us by the Master when he said: "Thou shalt love the Lord thy God with all thy heart, and with all thy soul, and with all thy mind, and with all thy strength. . . . And thy neighbor as thyself." (Mark 12:30-31) The inner and spiritual liberty proclaimed in the Gospels must seek to realize itself and find proper expression in outer and social freedom. Christianity penetrates society and creates the ap-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

propriate political and economic structures by means of Christian persons who are citizens or magistrates. The earth will never witness a fully realized Christian society, for this would mean the Kingdom of God, and God's Kingdom is beyond history. But what we can hope for is a society Christian in its norms, Christian in its understanding that man is formed to serve a transcendent end, to fulfill a purpose beyond society.

Biblical religion understands the world as the creation of God who looked out upon his work and called it good. It regards man as a creature who bears a unique relation to this God, being formed in his image – meaning that man possesses free will and the ability to command his own actions. This free being is given dominion over the earth with the admonition to be fruitful and multiply. He is commanded to work in order that he might eat; he is made steward of the earth's resources and held accountable for their economic use. He is to respect the life of his neighbor and not covet his goods; theft is wrong because property is right. When this outlook comes to prevail, the groundwork is laid for a free and prosperous commonwealth; the City of Man is not an end in itself, it is the proving ground for the City of God.

"Secular Christianity"

The contemporary outlook is quite different. It excludes God from its reckoning, and in a sector of the church we witness the paradox of a school of thought proclaiming "secular Christianity." The present outlook views the world as self-existent and man is reduced to a mere natural product of natural forces – autonomous man, stripped of all attachments which were thought to bind him to a transcendent realm of being. Shorn of his cosmic dimension, man is depersonalized; no longer the creature of God, he is reduced to a mere unit of mass society struggling to retain vestiges of his humanity as his world goes through a time of troubles.

Secular trends have acquired such a momentum that religious movements tumble along in their wake. Theologians talk about the death of God and the new morality. The New Clergy tell us that *the church must go,* as they rush out to man the barricades; they preach violence and the overthrow of society. "The New Clergy intersects with the New Left," declares a writer in a recent *Harpers.* "These men are out to remake the world," some wit remarked, "as God would have made it in the first place – except he lacked the funds!"

Politically-minded churchmen

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

seek to shape the churches into an ecclesiastical power bloc which would reduce religion to a mere instrument of revolutionary social change. We witness the growth of organizations, agencies, and councils designed to bring ecclesiastical leverage to bear on society, in a manner indistinguishable from the efforts of secular collectivists. Chief among these is the National Council of Churches and the World Council. If social salvation were to be had from large, powerful, and prestigious ecclesiastical organizations, then we should have been saved already. But provide a religious organization with wealth and power and it begins to change into a secular agency. The church in every age has come under the spell of secular movements and enthusiasms, to the detriment of spiritual religion. Churchmen dream of a large and powerful organization, both for the sake of the church itself – as they think – and for the sake of what that church might accomplish by its influence on government. In former days, churchmen invoked government to guarantee purity of doctrine by punishing those who deviated into some heresy. The aim was to get more souls into heaven. Today, churchmen seek to strengthen the hand of government and give it the power to manage the economy and control, where needed, the lives of the citizenry. The aim is to guarantee economic security from cradle to grave.

Mistaken Methods

It is easy for us now to see that medieval churchmen were mistaken in thinking that souls could be shoveled into heaven by the forced repetition of some incantation. Someday it will be just as evident that present-day churchmen are sadly misguided in their preoccupation with the reshuffling of the existing stock of economic goods. Like the secular liberals and collectivists, these churchmen expect to overcome economic disabilities by political interventions. They'll never achieve prosperity by taking this tack. Poverty can be overcome by increased productivity, and in no other way; and a society of free men is more productive than any other. It follows that we maximize production and minimize poverty only as men are increasingly free to pursue their personal aims – including their economic goals – within the framework of law. Prosperity, in fact, is a by-product of liberty. Limit the government to its proper competence, so that men are uncoerced in their interpersonal relations – including their economic arrangements – and the general level of well-being rises.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A generation ago, Dean Inge of St. Pauls foresaw a "reversion to political and external religion, the very thing against which the Gospel declared relentless war." It is not that Christianity regards social progress as unimportant, the Dean goes on to say; it is a question of how genuine improvement may best be promoted; "the true answer . . . is that the advance of civilization is a sort of by-product of Christianity, not its chief aim; but we can appeal to history to support us that this progress is most stable and genuine when it is a by-product of a lofty and unworldly idealism."

The church is *in* the world, but it is not wholly *of* the world. Whenever it seeks to further social progress by embracing the currently fashionable political nostrum, it not only fails to achieve its social ends by politicalizing its gospel, but it betrays its own nature as well. The church's job is to remind man, in season and out, who he really is and what he may become; and this task, in every age, means some resistance to "the world." The church must never marry the spirit of the age, Dean Inge used to say, for if she does she'll be a widow in the next.

The Saving Remnant

Sometimes we despair of the church, but we must not forget that in every age there has been a creative and self-renewing activity at work within it; and it's at work there today. This is the saving Remnant. The seventeenth century Church of England Bishop, Richard Warburton, pondered these matters. Is the church worth saving, he wondered? Whimsically, he compared the church to Noah's ark, and concluded that the church, like the ark of Noah, "*is* worth saving, not for the sake of the unclean beasts that almost filled it and probably made much noise and clamor in it, but for the little corner of rationality [Noah and family] that was as much distressed by the stink within as by the tempest without."

The French have a saying: "The situation is desperate; but it's not serious." The human venture has always been an uphill fight. The biological odds were against the emergence of man, and the scales have always been weighted against man's survival. But these facts, in themselves, have never been grounds for widespread or long-continued despair; certainly not wherever the Christian faith has taken hold.

A certain seventeenth century New England Puritan left a journal, in which was found this entry: "My heart leaps for joy, every time I hear the good news

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of damnation." Now the Puritans were a peculiar people, and this one had an odd way of putting things. But perhaps he is telling us something, in his oblique way. It *is* good news that man possesses the gift of freedom so far-reaching that he is personally responsible for the ultimate fate of his soul. This is not to say that man saves himself; it is to say that the individual may choose to accept or reject the means of grace made available to him, and that his act of choosing is determinative.

Responsibility Implies Freedom

This old doctrine says, first of all, that Somebody in the universe cares for us individually, one by one. Such is the basic implication of any system of rewards and punishments based on merit or demerit. The conviction that this is a universe where, in the long run, we *do* get our just deserts implies that we have a responsibility for our lives; that nobody really gets away with anything.

No man is held accountable for an outcome which his actions did not affect one way or the other. Responsibility implies freedom. To say that man is a responsible being is to say that his freely made choices do cause things to happen this way rather than that. Life's alternate possibilities of reward and punishment imply that men *must* choose. And because the universe does not jest, it has not given man the freedom to make a choice as to how he will commit his life without at the same time equipping that choice with power to affect the ultimate outcome. This is the core of the Doctrine of Election which a hillbilly preacher explained to his flock in this fashion: "The Lord votes for you; the Devil votes against you. It's the way *you* vote that decides the election." Even if you do nothing, your very inaction becomes a form of action, affecting the outcome one way or the other.

The Power behind the universe has so much confidence in man that it has made him a free and responsible being. This is a basic premise of our religious heritage, but our generation, like each before it, must earn its heritage anew before we can make it our own.

The rest of creation is complete; we alone are unfinished. The Creator has given the animal world all the answers it needs; answers locked up in instinctual responses as old as time. But man has *not* been given the answers; before *our* eyes the Creator has posed a gigantic question mark. We are handed a question, and the answer is ours to give. We have the responsibility, the freedom, and the power to respond.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

If these things are true at all, they are true for everyone, but not everyone is equally able to grasp them as truths. Organizations that are equipped with the blinders fastened on them by wealth, power, and success are handicapped; they come to care more for their image than for the truth. It is sad to observe that nothing fails like success. But organizations and individuals who are *not* drawn into the power-and-success game may advance the truth without encumbering it with themselves. They may become part of the saving Remnant.

"Be still, and know that I am God," sang the Psalmist (Ps. 46:10). "In quietness . . . shall be your strength," said Isaiah. (Isaiah 30:15) Victory for the things we want victorious comes not with noisy demonstrations, clamorous agitation, bustling campaigns, shouted slogans, heated discussions, passionate arguments, emotional debates, demagogic harangues; neither will it come by a display of power or a show of strength. The only victories worth winning arrive quietly, by the slow progress of thought, by the refinement of moral values. "Nothing is so powerful as an idea whose time has come," and the ripening of ideas in the corridors of men's minds and the translation of these into appropriate action when ready is the only way man may advance. It is in the intellect and in the moral imagination – that is, in the human spirit – that men may "wait upon the Lord and renew their strength."

The great Swiss economist, Wilhelm Roepke, was also a deeply religious man. He fought in World War I and was the first intellectual exiled by Hitler. "For more than a century," he writes, "we have made the hopeless effort more and more baldly proclaimed, to get along without God. It is as though we wanted to add to the already existing proofs of God's existence, a new and finally convincing one; the universal destruction that follows on assuming God's nonexistence. The genesis of the malady from which our civilization suffers lies in the individual soul and is only to be overcome within the individual soul." And if the care of souls is not, first and foremost, the province of the church, what – in God's name – is the church's main business?

Disorder in society reflects a disorientation in man's inner life. If there is confusion as to the proper end, aim, and goal of personal life, then bizarre social ideologies will prove irresistibly attractive and a sickness spreads in society. A healthy society, on the other hand, is the natural consequence of sound thinking and right

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

action among men and women who are pursuing the life-goals proper to human beings.

The church is a means for ends beyond itself; and our lives contain potentialities which can never be fully realized on the biological and social planes alone. We are involved in lost causes; but take heart from St. Paul, where he speaks of foolish things confounding the wise and weak things confounding the mighty. Paradoxically, there *is* a kind of strength in weakness, and there *is* a kind of wisdom in foolishness. And there are victories in lost causes, because God may choose them to work out his purposes.

IDEAS ON LIBERTY

Man to Man Justice

THE UNIFORMED POLICEMAN does not originate right and wrong. He merely extends and reinforces the observance of those rights and duties that stem from the Ten Commandments. In all respects he is a mere projection of the individual human conscience and in no case can he be made to substitute for it. On the contrary, a widened sense of individual conscientious responsibility can be made to shorten the policeman's "beat" considerably. It is in this direction – the direction of a more acutely developed sense of individual conscientious responsibility – that we must constantly look for any permanent improvement in the ordered general welfare of our society.

It must be remembered that ninety-five per cent of the peace, order and welfare existing in human society is always produced by the conscientious practice of man to man justice and person to person charity. When any part of this important domain of personal virtue is transferred to government, that part is automatically released from the restraints of morality and put into the area of conscience-less coercion. The field of personal responsibility is thus reduced at the same time and to the same extent that the boundaries of irresponsibility are enlarged.

CLARENCE MANION, *The Key to Peace*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In doing "One's Own Thing"

HENRY EDWARD SIMONS

AS A MEMBER of the "freaked out" and "turned on" generation, I find little comfort in the mental attitudes of some of my peers. In fact, it is a consequence of their "drop out" awareness that makes one fearful of the kind of leadership potential coming from these anarchy-oriented visionaries. Such radicalism on campus is perhaps a sad commentary on the present educational atmosphere of permissive ideas and professors.

There is no "safe" campus if one equates safety and security with learning fundamentals and being free to think and experience new ideas. "But," you say, "isn't this what it is all about in the campus mood today?" I doubt it. Serious consideration of contemporary values and judgments does not come in the form of riots, burning, and other antisocial activities. The breakdown of the school is the only achievement – if one feels *this* is a value.

Our nation is derived of different ideas and a competitive spirit. But responsibility always has been a factor in making constructive change a reality. Change, for itself, has no merit. That is like dumping last year's automobile because it is not "new," or considering people "old-fashioned" because they are over 30 years old. Some of our most creative ideas and practical inventions have come *because* a man had experience and insight gained from years of living.

Perhaps our youth-oriented radicals do not realize that their claims of insight are far from unique; adventures and ideals have inspired men and events

Mr. Simons is both a teacher in the New York City public schools and a graduate student at New York University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

throughout history. But the youth of today seem so determined to make history, spending their energies and abilities as if there had been no past and is to be no future. The need to "blow one's mind" and identify change with long hair and eight-button suits is a far cry from effecting realistic and constructive change. The "tuning out" and LSD thrills offer no escape from reality.

Change for the Better

Such attempts to change one's life experience lead to considerations in which living becomes a true hell, and the only change is for the worse. There is no need to destroy one's life in order to change the world as it appears, and as it really is – the difference between the two depending on one's age and experience as well as maturity.

First of all, age affords no special insight – whether one be young or old. The capacity to care for others, to participate freely in an open and competitive economy, and to learn from one's experiences can be a springboard to improved insight and skills. New ideas create new industries with new markets to serve. Man receives and acts upon ideas; and the work of applying ideas to production affords personal joy and objective rewards. Change thus flows from the discovery of potential within oneself and among one's contemporaries.

The inventive minds create new needs. The electrical industry found itself needing people to fill jobs, which did not exist until Edison came along with the electric light. Other examples are endless. Change can be productive and effective in terms of social and economic benefits. Technological changes within the past fifty years stagger the imagination – and pending innovations are beyond anticipation. But this is fruitful change – requiring new "idea" men and women and creative personal insight and motivation. Business leaders do not want "dead-end" thinkers! They seek creative sensitive people to build and to make competitive change practical and effective. A David Sarnoff or a Tom Watson or a Henry Ford – these men brought about changes, but socially useful changes. A person of strong individuality and personality, Captain Edward V. Rickenbacker, put his stamp of special concern and participation in the aviation industry.

Faith in the Future

Who says we don't want change, or that we would deny the ideals of those individuals with faith in the future! But faith in mankind is not the current rage on campus.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Unfortunately, a lack of faith persists and serves as a justification for anarchy and the rejection of respected institutions and ways of solving problems. All too common in the thoughts and practices of today's college generation is the fear that our nation cannot adapt to growth and change and that they cannot find their identity by participating in the peaceful way of getting things done. But theirs is the most "old-fashioned" view of all, and it is not justified.

Soon, hopefully, our college generation may catch up to the modern, yet eternal, reality that there is never a lack of desire for new ways and new ideas of individual style and merit.

IDEAS ON LIBERTY

Free to Discriminate

IF MAN IS TO CONTINUE his self-improvement, he must be free to exercise the powers of choice with which he has been endowed. When discrimination is not allowed according to one's wisdom and conscience, both discrimination and conscience will atrophy in the same manner as an unused muscle. Since man was given these faculties, it necessarily follows that he should use them and be personally responsible for the consequences of his choices. This means that he must be free to either enjoy or endure the consequences of each decision, because the lesson it teaches is the sole purpose of experience – the best of all teachers.

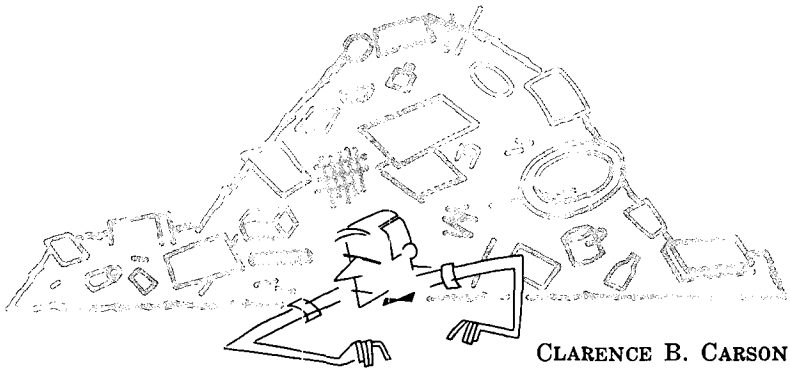
When one's fellow men interpose force and compulsions between him and the Source of his being – whether by the device of government or otherwise – it amounts to interrupting his self-improvement, in conflict with what seems to be the Divine design. Man must be left free to discriminate and to exercise his freedom of choice. This freedom is a virtue and not a vice. And freedom of choice sows the seeds of peace rather than of conflict.

F. A. HARPER, *Blessings of Discrimination*

A copy of this pamphlet is available on request from The Foundation for Economic Education, Irvington-on-Hudson, N. Y.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Problem or Opportunity?



CLARENCE B. CARSON

THE DISPOSAL of trash, garbage, and refuse is becoming a major problem, it seems. The feature page of one Sunday newspaper described the matter with this frightening headline:

Will Our Garbage Bury Us?

Indeed, newspapers and magazines have been devoting increasing amounts of space to the situation. We are told that policemen are having to allot more and more time to disposing of abandoned automobiles. In some states, trucks used to pick up refuse carelessly thrown out by motorists bear legends as to how much this costs the taxpayers each year. Many cities are running out of places to dump garbage. The countryside is dotted with automobile graveyards. The problem has come to national attention; in 1965 Congress passed a Solid Waste Disposal Act. A move is afoot to increase the appropriation for this activity. Something must be done, we are told, else we shall founder and sink in our own waste.

Whether a given situation constitutes a problem or an opportunity is a nice question. Is a given material a waste or a resource? Trees were once a great obstacle to the utilization of land for farming in the eastern part of North America. They were cut down, rolled into position so that they could be piled up, then

Dr. Carson is Professor of History at Grove City College in Pennsylvania. Books by him include *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*, originally serialized in *The Freeman*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

burned. They were refused, hence, *refuse*. Today, of course, trees are reckoned to be a great resource, are planted, sometimes fertilized, and intentionally grown. Nor is time the only factor in changing problems into opportunities (or vice versa) or wastes into resources. Of even greater importance is who is viewing the task or material and what object he has in view. This principle can be readily illustrated.

When government undertakes to perform a task, it quickly becomes a problem. When private business undertakes to perform a task, it is seen as, and is, an opportunity. For example, I cannot recall having seen an article on the problem of making automobiles. Indeed, the basic problem of constructing an automobile was long since solved, and men labored at it not as a public problem but as an opportunity. Yet, disposing of old automobiles (a simpler task basically than constructing new ones) is now described as a major problem. In large, this is true because government increasingly monopolizes the disposal industry (though this does not begin to tell us why government forecloses opportunity and raises problems). Disposing of wrecked or old automobiles was once a great opportunity for private business, but it is becoming a problem for politicians and looms as a burden for taxpayers.

Numerous other examples come to mind of this principle. Providing transportation in cities was once a great opportunity for private entrepreneurs; it led to such fabulous successes as the private building of the New York subway system. But since governments have entered more and more into transportation (particularly within cities), it has ceased being an opportunity and become a series of monumental problems for cities. The post office is a perennial problem. Airports, since they are heavily subsidized by governments, are described as problems. So it goes with many other tasks.

What is waste or what is resource depends almost entirely upon how it is viewed. A private entrepreneur will tend to view all material in the light of its potential use – he can profit by utilizing it. Governments, on the other hand, may be inundated by waste, for they do not recognize profit as a measure of public demand.

Back on the Farm

How did the refuse problem come about in America? It was not always so. When I was a boy growing up on the farm, we had no waste disposal problem worth discussing. Indeed, we had very little that could be classified as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

waste. Leftover food was carefully saved to be fed to the hogs. Worn out metal objects were saved – kept in a pile – against the day the junkman came around so that they could be sold. Buckets, cans, and jars had many potential uses once they were emptied of their original content. Sacks could not only be used as containers for produce, but also were a source of cloth. Animal wastes were returned to the soil. Any large object was apt to contain lumber or other scraps which could be used in future construction. Hardly anything then could be called waste.

I am aware, of course, that times have changed, that it is no longer economical to use labor in ways that were even then becoming marginal. Specialization has proceeded apace so that it now may be cheaper for a carpenter to use another nail than to retrieve one he has dropped. Containers and products have poured forth in bewildering shapes and varieties. Yet, as will be seen, this is just the point. *Specialization* has proceeded apace in production and distribution; it *has declined and atrophied in the utilization of leftovers*. Hence, the mountains of waste that are said to loom over us.

Two developments of import have occurred regarding leftovers. One is that manufacturers have ceased to give much thought to further uses for their container than the original one. That understates the case. They have devoted much energy to developing containers that can be thrown away after one use. Second, there has been a trend away from separated and segregated trash and garbage. "All the trash goes together," the sweeper used to say (when humor was not so sophisticated), as he approached someone in his way. What was once a jibe has become a fact in many towns and cities; garbage has become a potpourri of boxes, cans, coffee grounds, leftover food, papers, fourth class mail, and what not. Hence, its various elements are ruined for other use even before they reach the dump. The opposite of specialization has occurred. What was once potentially usable has been made waste by methods of storing and collection.

Government Garbage Collection

There are several interrelated reasons why this has come to pass, but the most direct one is this: Governments (city usually) entered the business of trash and garbage collection, in many cases establishing monopolies or near monopolies of this collection. Quite often, even if a citizen did not use the service, he would still have to pay. When governments took over

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

trash collection, production and distribution were separated from disposal. A large rent occurred in the economic fabric. Private enterprise continued to produce and distribute (sell) goods, but these functions were no longer integrally related to further uses or disposal. Specialization has proceeded with great vigor in production and distribution. It is grinding to a halt in reuse of materials and their final disposition.

The reason for this is not far to seek. The disposal of leftovers was taken out of the economic realm and placed in the political. In the economic realm, leftovers offer an opportunity for further use and profit; in the political realm, leftovers are only a problem. Moreover, force had been introduced in the affair; one had to pay for the service whether he would or not, and was frequently denied alternatives. Not surprisingly, the citizen lost interest in separating and segregating his leftovers. After all, why should he bother with it? Why not lump it all together? This is what he did, when he could, and politicians began to acquiesce — in pursuit of votes.

The Cost of Labor

Another reason for the mounting waste is the cost of labor. There is no blinking the fact that it often takes considerable ingenuity and labor to reclaim materials from an earlier use for another one. There is the cost of collection, the labor of getting them ready for use, and the intelligent employment or reproduction for reuse. Almost any material sufficiently sturdy to be in the way could be put to some productive use. But costs may discourage this. The crucial factor here has been government interference in the labor market. This interference has been by way of minimum and union wages, compulsory education, partial exemptions from the draft for attending college, the subsidizing of idleness in old-age pensions, and so forth. Moreover, labor costs have been made more expensive to the employer because of required social security payments, by payments into the unemployment fund, by the cost of bookkeeping to keep up with all these, and by regulations on the use of labor. These costs explain, in part, why potential labor and various material resources are not utilized, hence, why they become waste.

There is a deeper dimension to the mounting piles of waste. They are mute indicators of the wasted lives among us; they are a much truer measure of the unemployment in America than the figures released by government agencies. This writer does not know, of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

course, how many people should or could be productively employed, or at what, but it is reasonable to suppose that some portion of them could render leftovers into goods, and would do so were they not subsidized in idleness.

The main reasons why the disposal of leftovers has become a problem, then, are these: government pre-emption of garbage collection, the consequent separation of production and distribution of goods from the disposal of leftovers, the decline in specialization in dealing with leftovers, the lumping of all "trash" together so as to render it unfit for further use, the changing of disposal from economic opportunity into political problem, and the pricing of labor out of the market which might deal more effectively with what is otherwise refuse.

The prognosis, given current conditions, is that the waste situation will continue to worsen. Looming ahead are probably government regulations on manufacturers and distributors as to materials to be used in dispensing their goods. When government undertakes to provide a service, it cannot be long before more force is applied to make the way of the user harder and the task of government easier. Already, labor unions have begun to perceive the diabolical possibilities for leverage from tying up garbage disposal in cities and towns. They have long realized the possibilities of hurting people by tying up production and distribution. The stopping of disposal may be even more potent. The concentration of this service because of government monopoly renders cities prostrate before their demands, or very nearly so.

Return the Responsibility to Individuals and Families

There is a way out of this mess which offers possibilities of better prospects. To put it in its simplest form, it is this, *Return the responsibility for the disposal of leftovers to individuals and families.* I am aware that this proposal, in its blunt and simple formulation, is unlikely to gladden many hearts. Many a housewife would throw up her hands in despair. As if she doesn't have trouble enough already getting her husband to set out the garbage cans, now there is to be no pick-up service! Yet, such a reaction does not take into account the response of private enterprise and the market. I do not know all the myriad ways the market would respond, nor am I sure that in particulars I am right about a single one of them. After all, mine is only one mind, and many minds would be loosed by this change to provide solutions to the problem. Still, it is worth-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

while to explore some of the possibilities.

One thing we may be sure of, however, is that the householder would not be left to his own devices to dispose of his leftovers once the responsibility became his. Indeed, the massive resources of private enterprise would be mustered to serve him as a customer.

Ingenuity might be expected to be devoted to producing containers that could be reused, could be returned, could be easily discarded, or some combination of these. If containers became of greater concern to consumers, existing and potential technology undoubtedly would be employed in this way.

One of the important changes that might be expected to occur if private enterprise took over responsibility for disposal from government is that positive incentives would be substituted for force and penalties in trash collection. It might still be appropriate for governments, in the interest of health and safety and for the protection of property, to make rules regarding the burning or disposal of trash, and to enforce these with penalties. But private enterprise would try to attract its customers to dispose of their waste in helpful ways.

One of the possibilities is that stores might become collection centers for many items that otherwise become debris, especially if the stores and customers could see a way to profit in the process. Stores are patrons of manufacturers. Manufacturers might be expected to give attention to making their packages reclaimable. It is this function that has been neglected because of the present arrangements. Delivery trucks, which otherwise return empty from their rounds, could be used to return the containers to collection points for reprocessing plants.

A Specialized Service

What is being discussed is, in the broadest terms, the restoration of specialization to disposal of leftovers. If restrictions on the use of labor and other resources were removed, a great deal of specialization might be expected to develop in the collection of what is now refuse. Many of these leftovers have potentialities for reuse as matters now stand: edible scraps, fats, metals, bottles, paper, rags, and the like. There would undoubtedly be a residue of just plain trash to be carted away and burned, buried, or converted. It would, however, have been reduced to quite manageable proportions once private businessmen put their minds to it.

It may be objected that all this sounds like too much trouble for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the householder, and for the others. There are two considerations which should reduce if not entirely remove this objection. One is that a variety of incentives would be employed to induce people to perform the tasks of collection. Not only might stores offer rewards for the return of their containers but also the householder might well be paid for some of his leftovers picked up at his home. At the least, a token payment should be made for food scraps, magazines and newspapers, scrap metal, old furniture, rags, and such like. Part of the payment might be made in hauling away free the refuse that remained. It is amazing what trouble people will go to for a little reward, as the popularity of trading stamps attests. For those who find the whole business distasteful, they should be free to lump all their leftovers together and pay to have it removed.

Waste Not, Want Not

There is another consideration, however. It is the matter of morality. Waste not, want not, is a venerable adage. The fact is that we are wasting potential resources in astonishing quantities today by making containers without attention to their further use and by the methods of disposing of leftovers. The problem is not one-sided as it is often presented – what to do about the waste. It has another side – how best to employ our resources. And, as pointed out, we add to the material waste the wasted lives of those denied productive employment by government policies. True, it is possible to waste time by reclaiming some objects to use. For some people it may be a waste of time to separate their leftovers for further use. What is and is not waste cannot be settled *a priori*, and it should not be settled by government policy. Instead, it should be left to an integrated market where the matter of what is irreclaimable waste can be decided by calculation. This results in prudent saving and reclamation as well as economic decisions as to what is to be thrown away.

The foregoing suggestions as to how leftovers might be effectively collected and used or disposed of may be debatable. They are submitted only to awaken the imagination to the myriad possibilities of positively dealing with what is today described as a growing problem. But there can be no reasonable doubt that once responsibility is placed on the individual, once private enterprise is mobilized to serve him as a consumer, what have been problems become opportunities and what was waste will much of it become resource.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Anyones

Anyone can destroy.
Anyone can take a life.
Anyone can steal.
Anyone can cause strife.

Anyone can complain.
Anyone can fear defeat.
Anyone can slander.
Anyone can lie and cheat.

Anyone can hurt feelings.
Anyone can say "It can't be done."
Anyone can be unfriendly.
Anyone can spoil fun.

Anyone can hold back.
Anyone can look the other way.
Anyone can be lazy.
Anyone can waste his life away.

Anyone can count on wishes.
Anyone can see sin.
Anyone can use force.
Anyone can give in.

Anyone can see weakness.
Anyone can act upset.
Anyone can be slow.
Anyone can play hard to get.

Anyone can leave the work to others.
Anyone can wait to be saved.
Anyone can blame his brother.
Anyone can be enslaved.

Anyone can bury his talents.
Anyone can run.
Anyone can earn his life
—by not being "Anyone."

AL SIEBERT

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PROBLEMS THE FREE MARKET CAN'T SOLVE

PAUL L. POIROT

HOW OFTEN, and in what variations, we hear the old theme: "The government should intervene because private enterprise has failed to solve the problem!" The following list is far from complete, but will serve to illustrate:

The social security problem
The farm problem
The unemployment problem
The housing problem
The transportation problem
The school problem
The medicare problem
The poverty problem
The population problem
The slum problem
The conservation problem

In a sense, every need felt by each and every person in the world is a problem – for that individual. The person who sees a way to satisfy a given need looks upon the situation as an opportunity rather than a problem. That's what private enterprise is: a process of converting problems into opportunities. A successful entrepreneur is one who sees and seizes the opportunity when there is a problem, turning available resources into goods and services most wanted by others, serving their needs and helping himself in the bargain. Private enterprise involves cooperation between a person with a problem and a person who views it as an opportunity.

Socialism, on the other hand, is a pooling of persons, all of whom have the same problem: they want something for nothing. Such a demand affords an entrepreneur no opportunity to serve himself by serving others. Hence the cry: "Private enterprise has failed, the government must intervene!" Check again the foregoing list, or any other situation that has now become a major public problem. Does it represent an organized demand for something for nothing? If so, private enterprise *can't solve it – not on those terms;*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

but neither can it be resolved by resort to force.

The problem ever has been a relative scarcity of the resources required to satisfy the multiplicity of human wants – insufficient knowledge and will and energy to combine available resources in ways that would fulfill every person's wishes. Because there is a cost of producing or acquiring everything of an economic nature that man wants, it has been necessary to determine in some way or other what is mine and what is thine.

That determination, during most of recorded history, has been by force – the strong lording it over the weak, some men enslaving others and confiscating their property. Only in relatively recent times, and only in parts of the world, have men ever tried the alternative of getting what they want from one another by serving that other's interest, instead of stealing from or enslaving him. This is the system of private ownership and control of resources, with open competition in the market, and with government limited to the protection of peaceful persons and their property.

Such competitive private enterprise has not afforded instant utopia on earth. Man's wants have multiplied much faster than his capacity to fulfill them, despite the remarkable record of material achievements when, and to the extent that, the market economy has been tried.

Our Wants May Deceive Us

In a sense, the infinite expansibility of wants is one of the mainsprings of human progress. His unsatisfied desires drive a man to work and plan and invent and produce. They also render him vulnerable to promises of something for nothing – launch him on flights from reality that may destroy the source of goods and services to which he owes his rising expectations, if not his life. It is not the comparative records of performance under freedom or under slavery that cause men to turn from competitive enterprise back toward coercive socialism. It is not that competitive enterprise has failed to deliver to every man his due; competitive enterprise is rejected by thoughtless men because it has not delivered everything that irresponsible demagogues promise. Such persons fail to consider that the demagogues neither have been able to nor can they ever fulfill their promises by the methods they espouse.

The person who demands that private enterprise solve the social security problem, else he will reject private enterprise, is demanding that a way be found for a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

person to have reasonable income and resources when retired without his having saved anything of value prior to his retirement. There is no way for man to perform such a miracle. The government only appears to do so when it takes property from those who have earned it and gives some of it to those who have not.

The compulsory social security program was launched in the United States in 1935 primarily as a device to induce oldsters to give up jobs in order that youngsters might be employed. Few at that time bothered to ask what had caused the widespread depression of economic conditions and the heavy unemployment. "A failure of private enterprise," they assumed; whereas, in fact, prior government intervention had granted special privileges to organized labor, had tampered with supplies of money and credit, had artificially depressed interest rates, and generally had erected barriers to industry and trade.

Nevertheless, over the years from 1935 through mid-1968, the Federal government collected some $219 billion dollars in the name of social security from those younger persons who had found jobs in covered occupations. Most of that money has gone in benefit payments to those who had retired. The balance, perhaps an eighth of the total (which is unrealistically referred to as the OASDI Trust Fund) has been spent for other purposes of government. In other words, not a penny of the amount any worker pays as social security taxes is saved or invested to yield a return to him when and if he retires. Such payment, if he ever gets it, still must come from those younger workers currently employed and subject to taxation.

Shortages and Surpluses

No; private enterprise cannot solve the social security problem *which government intervention* has created. Neither can the government solve it. Private enterprise does afford the individual the *maximum opportunity to prepare* for his own retirement. And that is a far better chance than any intervening government would allow him – after taxes.

What government has done, with regard to social security, is to establish a price ceiling. The offer, in essence, is "free" social security benefits to anyone over 65. In other words, the price to be paid by him is zero.[1] Whenever the government establishes terms like

[1] Many proponents of the social security idea will contend that the payment of taxes during working years entitles one to a handout after he retires. But courts seem not to interpret either the Constitution or the Social Security Act in that way.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that, private enterprise cannot and will not do the job.

Price fixing by government is the classic way of creating shortages and surpluses. The price, if set lower than the market would have determined, creates an immediate surplus of would-be consumers and a shortage of willing suppliers. Everyone would like a lot of something for nothing; no one wants to supply anything at that price. On the other hand, a price, which is set higher than the market would have determined, results in a rash of suppliers and a dearth of buyers.

The social security "problem" is a surplus of retired persons hoping someone else will provide their livelihood during their flight from reality.

While no attempt will be made to discuss here the details of the various other "problems" the market allegedly has failed to solve, the nature of shortages and surpluses may be clarified somewhat by brief reference to "the farm problem."

The Farm Problem

The farm problem is at least as old as the industrial revolution, when businessmen found ways of attracting personal savings for investment in factories and machines and tools that would afford better employment opportunities than prevailed when nearly everyone farmed as a matter of self-subsistence.

Naturally, mechanization works from industry back into agriculture. As specialization and trade develop in a given society, a smaller percentage of its population is needed to produce food and fiber. Agriculture appears to be a depressed industry over the many decades generally involved in the shift from a 90 per cent agrarian to a 90 per cent urbanized and industrialized economy. This is the competitive market manner by which workers and other scarce resources are drawn from less attractive to more attractive employment opportunities – from old industries to new. This is why agriculture was a chronically depressed industry in the United States over much of the past century – why there came to be a "farm problem" and a demand for government intervention.

Fortunately in a way, much of the intervention inadvertently had the effect of speeding farm specialization and mechanization. The price supports and other farm subsidies by and large were made payable to the most successful farmers; the pittance paid to smaller and less efficient operators was not enough to appreciably slow the movement of workers from farming into other industry.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

American agriculture today is fully mechanized and well capitalized – on a par with other industries. The shift of population from rural to urban employment is largely accomplished in the United States.

So, the government farm price support programs of the twentieth century in the United States have accidentally eased rather than aggravated the chronic surplus of farm operators. How these and other government interventions combined to yield a prolonged and general unemployment and waste of manpower will be discussed shortly. Meanwhile, let it be noted that the farm subsidy programs did create serious surpluses of wheat, cotton, corn, peanuts, rice, tobacco, potatoes, milk, butter, eggs, wool, and various other farm commodities. Scarce resources were wasted to the extent that government price-fixing held such farm produce above the reach of consumers in U.S. and world markets. And there were other consequences. For instance, a part of the world market demand for cotton that American growers otherwise might have supplied thus was diverted to foreign growers or to manufacturers of synthetic fibers. And the same is true with respect to other commodities under price control. A price arbitrarily set too high creates a surplus; a price set too low results in a shortage. And the marginal buyers and sellers thus excluded from the market are the very ones who can least withstand such discrimination.

Actions and Reactions

Causes have consequences, and no particular injection of force into the economy ever ends at that point. As suggested above, the farm programs that drove workers off farms were blended with other interventions that denied them more productive employment opportunities. Wage and hour laws, special privileges to unions, and various relief programs turned unemployment into a way of life for some – at everyone's expense. Men who are paid as much for not working as for working are likely to remain unemployed; but who can believe that he's still a man whose life depends on the dole?

These ever-expanding voting blocs of nonworkers demand their "rights." And government officials, who do not understand the importance of defending private property, continue to tax the savers and workers in a futile attempt to give those others their something-for-nothing. Meanwhile, businessmen are urged to cooperate and develop employment training programs – apparently, without capital and without prospect for profit. Private enterprise sim-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ply can't solve that kind of a problem: a surplus of subsidized nonworkers.

Nor can private enterprise build low-cost new housing as fast as the government can condemn existing structures and bulldoze them down. Rent controls, zoning regulations and restrictions, tax exemption or abatement, and privileges granted to building trade unions artificially boost the demand for housing and render it impossible for anyone to supply such housing at a profit.

There is no way on earth for private enterprise to supply all the freeways drivers would like. Or all the bridges or ferries or subways or airports or commuter transportation consumers would use if someone else could be made to pay the cost.

Private enterprise cannot build costless schools as fast as financially irresponsible boards of education, teachers' unions, and students can outmode and destroy them.

It is impossible to build enough hospitals or to train enough doctors and nurses and other personnel to service the demands of those who are paid to be sick.

Private enterprise did not solve the problem of landing two men on the moon in 1969, because private enterprise did not have a $25 billion charge account against the market's limited resources in exchange for a small packet of moon dust. But the fact that a government can force 200 million citizens to ship two of their number to the moon and back does not mean that the government can either measure or fulfill the more urgent of the infinitely varied wants of the 200 million.

If the problem is to exchange something for nothing, private enterprise can't solve it. Government may pretend to do so up to the limit of the property and the patience of long-suffering workers and taxpayers. But if the problem is to exchange something for something in ways that best allocate scarce resources to the willingness and satisfaction of those involved, then government's only role is to protect private property, leaving all else to free men and the free market.

IDEAS ON LIBERTY

Edmund Burke

TO PROVIDE for us in our necessities is not in the power of government. It would be a vain presumption in statesmen to think they can do it.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDUCATION IN AMERICA

DURING the 1968-69 academic year hardly a week passed without news of some new outrage perpetrated by the Students for a Democratic Society, or, as cartoonist Al Capp prefers to call them, the Students for a Decomposing Society. Spoiled brats posing as revolutionaries got off with the lightest penalties — or even none at all — for such palpably illegal acts as trespass, destruction of property, the theft and spoliation of documents, and the physical manhandling of deans. College administrators and faculty members seemed paralyzed by the attacks, and some professors and even a couple of university presidents actually condoned the rioters. It was an amazing spectacle, particularly noteworthy in that it occurred in a nation that has gone all out for "aid to education."

Libertarians could have predicted it: when immense sums are deployed out of the public treasury to subsidize something, it is scarcely surprising that the recipients of the bounty should take it lightly. What is a broken window or a smashed desk when the taxpayer is there to provide for its replacement? And why should professors be respected when they spend half their time working on political projects, turning their marking chores over to graduate students whose main concern is to have the statistics ready for tabulation on punch cards that the professors may or may not see?

Our philosophical disarray

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

started long before there was a Students for a Demonic Society nonorganized organization. In one sense, the SDS-ers, ugly and stupid though they may be in the tactics they have chosen, are more victims than victimizers: they are the children of the Age of Relativity, which is dedicated to the principle – or the nonprinciple – that there are no fixed truths, no values worth cherishing. Educational values are not possible in a college world that lacks convictions and reference points, and it is to the lack of values that George Charles Roche III has addressed his main inquiry in a brooding book, *Education in America* (Foundation for Economic Education, $3.50 cloth, $1.75 paper).

Permissiveness at Home and School

Dr. Roche has many things on his mind. There are the parents, for one thing. The worst offenders on the campuses happen to be the sons and daughters of middle-class affluence, kids who have never seen from close-up what happens in lands where State enterprise has replaced the individual organizer. It is a cliché, and an untrue one to boot, that a generation gap exists between the revolting campus "liberals" and their parents: for the most part they stand for the same permissiveness.

Dr. Roche is convinced that there is no discipline in the university world because there has been a prior breakdown in discipline at home. He surveys a situation in which our "mass" oriented institutions run the risk of being merely "custodial" rather than educational. The child passes from the hands of the baby sitter to the teacher as "adolescent sitter," and in the shuffle of massive enrollments the "custodial" teacher has no impulse (unless he happens to have an unusual conscience) to teach the individual to think for himself within a framework of the quest for truths that are open to those who are diligent students of the past.

The Multiversity Complex: Publish or Perish

Dr. Roche levels some of his most telling shafts at the big "multiversity" that prizes what passes for modern research more than it prizes an individual relationship between teacher and student. He thinks the student has a legitimate gripe against the big "superspecialized" university where "a mass of trivial research tends to contaminate the atmosphere." The students in quest of *instruction* feel "betrayed by an educational structure which has become increasingly unresponsive to their academic needs and oppressive to their development as responsible adult individuals." Ortega was right: the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

professor who is ignorant of many facets of human existence "reacts as an unqualified mass-man" outside of his specialty.

Dr. Roche quotes an unnamed Stanford psychologist as saying that before the year 2,000 is on us we will have to take "radical action" to "limit the outpouring of specialized and often trivial publications that even now all but inundate the offices of every academician." The prestigious college of the future, says this Stanford observer, "will begin by making rules forbidding their professors to publish until they have been on the faculty five or even ten years. They will thus create a campus culture in which publishing is considered not good form."

Committee Mentality

Then there is the "committee mentality" to combat. As Dr. Roche says, the highest campus awards seem to go to organizers and co-ordinators rather than to genuinely creative and original minds. Thomas Molnar's observation is pertinent here: "One glance at pedagogical literature," says Mr. Molnar, "reveals the collectivistic preoccupation: 'Committee,' 'cooperation,' 'integration,' 'teamwork,' 'group-project,' 'majority-objectives,' 'peer-group,' 'group-process,' 'group-imposed regulations,' 'group-determined penalty,' 'group-acceptance,' etc., etc., abound in articles, speeches, meetings, and school catalogues. Together with other ideological directives, they constitute the affirmation that God and individual men do not exist apart from the collectivity. Moreover, they imply that man's adjustment to the collectivity is the supreme guarantee that he is not in error."

The late Benjamin Stolberg put it simply: "One does not think in committee."

Dr. Roche's book is enough to make devil's advocates of all of us. The spectacle of the educational world that he has anatomized confirms me in my belief that the way to do a boy or a girl a good turn is to keep him out of our more prosperous educational institutions. There should be less public "aid to education," fewer billions poured out by state and municipality. Let those who hunger for knowledge get it on their own; if they can manage to do this, they will appreciate it. Better to send a boy or girl to one of the smaller colleges — Ben Rogge's Wabash, say, or John Howard's Rockford — where the "publish or perish" fetish has not gone to Berkeleyan extremes.

And a word for the big corporations: Let them do more of their recruiting in the high schools, where they will be able to find stu-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dents who have not yet been corrupted by what passes for university teaching. If Dr. Roche is right about the educational world whose devalued state he has so trenchantly criticized, we would all be better off if it were forced to go back and scratch for its funds. Who knows, if the public "aid to education" shibboleth is scotched, we might get some good proprietary colleges. ◈

Bound volumes now available —

EDUCATION IN AMERICA

by George Charles Roche III

CHAPTER TITLES:

1. What Has Happened?
2. Freedom, Morality, and Education
3. Scientism and the Collapse of Standards
4. The Decline of Intellect
5. Discipline or Disaster?
6. The Perpetual Adolescent
7. Why Institutionalize Our Errors?
8. The Multiversity
9. Academic Freedom for What?
10. Revolt on Campus
11. Creativity
12. A Philosophy of Growth

176 pages, fully indexed. $3.50 cloth; $1.75 paper

Order from: THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

▸ THE MAN FROM MONTICELLO (An Intimate Life of Thomas Jefferson) by Thomas Fleming (New York: William Morrow & Company, Inc., 1969), 409 pp., $10.00.

Reviewed by Robert M. Thornton

NONE OTHER of the Founding Fathers is invoked more often than Thomas Jefferson by those arguing the political questions of our day. He is variously claimed by conservatives and "liberals," progressives and agrarians. Mr. Fleming does not try to enlist our third President for this cause or that, but his Jefferson clearly distrusts the all-powerful state and actively opposes high taxes and wasteful spending by the government. Fleming barely touches on the role of Jefferson as statesman, focusing instead on the great patriot off his pedestal. We see Jefferson as thinker, politician, farmer, scientist, inventor; as husband, father, grandfather, and great grandfather; as host and neighbor, horseback rider and violinist; as correspondent, traveler, and diarist. Many occupants of the White House are remembered only for that reason, but this was only one of Jefferson's claims to fame and one which he did not even choose to mention on his headstone.

Limiting himself to a one-volume work, Mr. Fleming has to be selective in what he tells of Jefferson; nevertheless, he offers a fine and readable portrait of the Sage of Monticello. Fleming, like Albert Jay Nock, sees Jefferson as perhaps the most civilized man ever produced in this nation, of a stature to equal such a world figure as the great European, Goethe. But Fleming, unlike Nock, does not see Jefferson as being always the disinterested philosopher and statesman. Jefferson was, after all, human; he had his loves and hates and anxieties and on occasion was known to lose his temper.

Anyone wishing to become better acquainted with one of the greatest of all Americans, and one of the most charming, could do no better than to read this book along with Nock's *Jefferson* and Elizabeth Page's *The Tree of Liberty*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

B O O K S B Y

CLARENCE B. CARSON

Professor of History at Grove City College, Pennsylvania

The Flight from Reality

In scholarly fashion, Dr. Carson traces the creation of the "new reality," shows how the utopian vision in the minds of reformers resulted in the political flight from the Constitution and the domestication of socialism in the United States.

The return trip, like the flight from reality, is an intellectual and educational process.

568 pages. $5.00 cloth; $2.50 paper

The War on the Poor

Despite all the evidence of failure, political factions persist in the belief that massive government spending can banish poverty. Among the victims are farmers, small businessmen, wage workers, tenants ousted by urban renewal, and consumers at every level. The solution of such problems lies in sound economic principles.

An Arlington House publication. 300 pages, $5.95 cloth

EARLIER BOOKS STILL AVAILABLE:

The Fateful Turn: from Individual Liberty to Collectivism, 1880-1960
255 pages, $3.50 cloth; $2.00 paper

The American Tradition 306 pages, $5.00 cloth

O R D E R F R O M :

The Foundation for Economic Education, Inc.

Irvington-on-Hudson, New York, 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ideas on Liberty

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

Place 8-cent postage here ▶

FROM

TO: _____

STREET _____

CITY _____

STATE _____ ZIP CODE _____

OCTOBER 1969

The Libertarian Philosophy	Benjamin A. Rogge	579
The Great Depression	Hans F. Sennholz	585
Socialized Airwaves	Jerry Emanuelson	597
Gold's Dust	Gary North	599
Read's Law	Leonard E. Read	608
The Quiet Revolution	Edmund A. Opitz	611
In Doing "One's Own Thing"	Henry Edward Simons	619
Problem or Opportunity?	Clarence B. Carson	622
The Anyones	Al Siebert	629
Problems the Free Market Can't Solve	Paul L. Poirot	630
Books:		
Education in America	John Chamberlain	636
Other Books		640

LICENSED TO FNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED